Annual Financial Report For The Year Ended
June 30, 1987

South Dakota

Prepared By Bureau of Finance and Management

South Dakota

COVER THEME

The South Dakota **Bison**, a gold and silver investment program is sponsored by the State of South Dakota and was created by the South Dakota Legislature in 1987. The **Bison** was unveiled April 15, 1987 by Governor George S. Mickelson and is the largest bullion program ever by a state government.

The South Dakota Bison, designed by South Dākōta artist James Pollock, features two plains bison along with the State Seal of South Dakota. South Dakotans are credited with saving the bison from extinction and, today, the state currently has the largest bison herd in the world, numbering over 10,000 animals.

South Dakota law requires the **Bison** to be mined and minted in South Dakota. **Bison** gold and silver is mined at the Homestake Mine in Lead, South Dakota, which is the oldest continually producing gold mine in North America.

Bison products are minted at the Tri-State mint in Sioux Falls, South Dakota. Tri-State mint is one of the largest privately owned and technically qualified mints in the United States.

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South Dakota

Annual Financial Report for the Fiscal Year Ended June 30, 1987

George S. Mickelson
Governor

Walter D. Miller
Lt. Governor

Steven J. Zellmer
Commissioner of Finance and Management

Additional copies of this document may be obtained from the Bureau of Finance and Management, 500 East Capitol Avenue, Pierre, South Dakota 57501.

George S. Mickelson, Governor

STATE OF SOUTH DAKOTA

GEORGE S. MICKELSON
GOVERNOR

EXECUTIVE OFFICE
STATE CAPITOL BUILDING
PIERRE, SOUTH DAKOTA 57501

(605) 773-3212

June 8, 1988

TO: The Honorable Members of the Legislature and Citizens of South Dakota

It is with great pleasure that I present this annual financial report for the State of South Dakota for the fiscal year ending June 30, 1987.

This report represents a milestone in the state's financial history. It is the first time since statehood that a statewide report covering all funds and related reporting entities has ever been issued. I am very proud of this accomplishment and I believe it demonstrates our commitment to good government through timely and accurate financial reporting.

This report has been prepared in accordance with generally accepted accounting principles and is presented to you in hopes of creating a better understanding of the state's total financial condition and operations.

Financial reports for governmental entities are designed to clearly portray the financial condition of that entity at a specific point in time. The standards for governmental financial reporting are stringent. Future annual financial reports, like this one, will be prepared in accordance with the latest directives on generally accepted accounting principles for governments and will contain a full audit as prescribed by the standards for audit of governmental organizations issued by the U.S. General Accounting Office.

South Dakota state government is in sound financial condition. This report, and future reports, will carry that message to the citizens of this state and all other interested parties.

Sincerely,

George S. Mickelson, Governor
State of South Dakota

STATE OF SOUTH DAKOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR-ENDED JUNE 30, 1987

TABLE OF CONTENTS

	PAGE
Cover Theme	i
Governor's Letter	v
INTRODUCTORY SECTION	
Letter of Transmittal	2-3
South Dakota Organizational Chart	4
Bureau of Finance and Management	5
List of Principal State Officials	6
South Dakota Functions of Government	7
General Fund Revenues, Expenditures	8-12
FINANCIAL SECTION	
Auditor's Report	14-15
Combined Balance Sheet—All Fund Types and Account Groups	16-17
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types and Expendable Trust Funds	18
Combined Statement of Expenditures—Budget and Actual (Non-GAAP) All Budgeted Fund Types	20-21
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings-Fund Balances—All Proprietary Fund Types and Similar Trust Funds	22
Combined Statement of Changes in Financial Position—All Proprietary Fund Types and Similar Trust Funds	23
Higher Education—Combined Statement of Changes in Fund Balances	24-25
Higher Education—Combined Statement of Current Funds, Revenues, Expenditures, and Other Changes	26
Notes to Financial Statements	27-56
STATISTICAL SECTION	
Economic Outlook	58
South Dakota Profile	59
Miscellaneous Characteristics	60-61
State and Local Taxes	62-64
Banking	64
Employment	65
Business—Ten Largest	66
Business—New and Expanded	67
Farm Statistics	67-68
Income Statistics	69
State Signs and Symbols	70-71

Introductory Section

SOUTH Dakota

Office of Executive Management

BUREAU OF FINANCE AND MANAGEMENT
State Capitol, Pierre, South Dakota 57501
Phone 605/773-3411

DATE: June 10, 1988

TO: The Honorable George S. Mickelson, Governor
Members of the Legislature
People of the State of South Dakota

In compliance with Section 4-4-6 of the South Dakota Codified Laws, I am proud to submit to you South Dakota's very first audited statewide annual financial report for the fiscal year ending June 30, 1987.

This financial report is the product of many hours of long, hard work by the fiscal personnel from all departments of state government. Special credit and thanks go to the accountants and the accounting project managers in the Bureau of Finance and Management and the staff of the Department of Legislative Audit for their extraordinary efforts in the preparation of this report.

This report is prepared by the Bureau of Finance and Management, Office of Accounting Systems which is responsible for the accuracy and the completeness of the data presented herein. In my opinion, the data is accurate in all material respects, fairly presents the financial condition of the state of South Dakota, and is presented in a manner which will enable the reader to gain a better understanding of the state's financial affairs.

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Bureau of Finance and Management is required by statute to keep its fund structure and prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). In addition, all statewide accounting policies have been rewritten in accordance with the latest directives on generally accepted accounting principles for governments as issued by the Governmental Accounting Standards Board (GASB).

PRESENTATION

As recommended by the Governmental Accounting Standards Board, we do not present a single consolidated state financial statement, but rather a statement which separates various similar funds into columns of fund types. These fund type columns, together with related footnotes, are referred to as the "General Purpose Financial Statements". It is upon these statements and the related footnotes the auditors will express their opinion.

REPORTING ENTITY

Statements 3 and 7 and Interpretation 7, adopted by the Governmental Accounting Standards Board, define the governmental reporting entity for the state's purposes. It is under these definitions that we include more than the typical state government agencies. The report also includes colleges and universities and the authorities within the state which are authorized, i.e., the Building Authority, the Housing Development Authority and the Health and Educational Facilities Authority. Even though the state (as legally defined) is not directly responsible for the obligations of these authorities, they are part of the state's reporting responsibility.

AUDIT

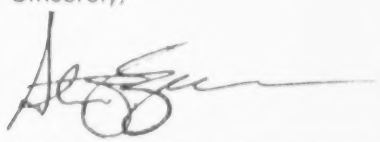
The principal auditor of the state's reporting entity is the legislative Office of the Auditor General. Their audit is conducted in accordance with generally accepted auditing standards (GAAS), and their opinion precedes the General Purpose Financial Statements.

In addition to the annual audit of the state's General Purpose Financial Statements, the Office of the Auditor General performs periodic audits of the various state agencies. Outside accounting firms are also frequently used for the audits of separately issued component unit financial statements, such as the major financing authorities.

CONCLUSION

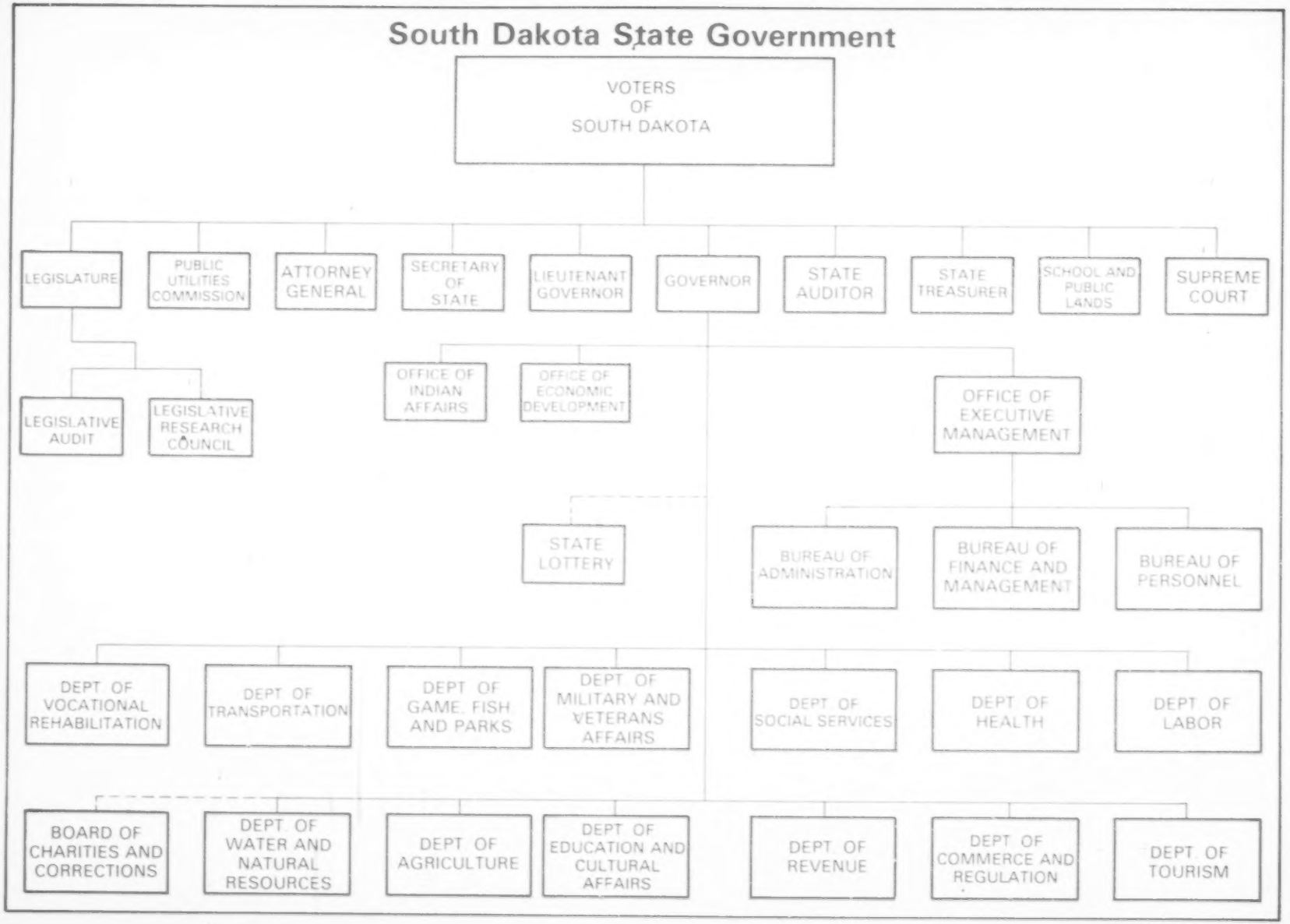
I would like to thank the many individuals whose combined efforts made this report possible. It takes many hours of labor to gather this information and to assemble it in a meaningful fashion for publication. I believe the combined efforts of these individuals will enable legislators, bond holders, creditors, and the citizens of South Dakota to better understand the fiscal affairs of South Dakota state government.

Sincerely,



Steven J. Zellmer, Commissioner
Bureau of Finance and Management

South Dakota State Government



State of South Dakota
Bureau of Finance and Management

The Bureau of Finance and Management is a staff agency in the South Dakota Department of Executive Management. Other agencies in the Department of Executive Management, headed by the Governor, include the Governor's Office of Operations, the Office of Indian Affairs, the Governor's Office of Economic Development, the Bureau of Administration, and the Bureau of Personnel.

The general purpose of the Bureau of Finance and Management as described in SDCL 4-7-2 is to "... promote economy and efficiency in the fiscal management of the state government". The functions performed by bureau staff fall into two general areas—budget analysis and accounting systems.

Budget Analysis.

South Dakota state government has an executive budget process where all agencies of state government annually submit their budget requests to the Bureau of Finance and Management. The bureau assists the Governor in developing the **Governor's Budget Book** which contains the Governor's recommendations to the Legislature for funding all state government programs for the next fiscal year.

Bureau staff are also involved in making recommendations to the Governor and other state officials on matters related to promoting efficient management to ensure compliance with state law.

Accounting Systems.

The Bureau of Finance and Management develops, maintains, and administers the state's central accounting and payroll/personnel systems; completes a monthly statewide bank reconciliation; prepares the state's annual financial report; prepares the statewide cost allocation plan (federal circular A-87); and develops accounting policy for all state government agencies, excluding the institutions under the control of the South Dakota Board of Regents.

State of South Dakota
Principal State Officials

LEGISLATIVE BRANCH

The Honorable Debra R. Anderson
Speaker of the House

The Honorable Mary A. McClure
President Pro Tempore of the Senate

The Honorable G. Homer Harding
Senate Majority Leader

The Honorable Roger D. McKellips
Senate Minority Leader

The Honorable Jerome B. Lammers
House Majority Leader

The Honorable Robert N. Duxbury
House Minority Leader

Maurice C. Christiansen, CPA
Auditor General

Terry C. Anderson, Director
Legislative Research Council

JUDICIAL BRANCH

The Honorable George W. Wuest
Chief Justice

The Honorable Robert E. Morgan
Associate Justice

The Honorable Frank E. Henderson
Associate Justice

The Honorable Richard W. Sabers
Associate Justice

The Honorable Robert A. Miller
Associate Justice

Tom Gereats
State Court Administrator

EXECUTIVE BRANCH

The Honorable George S. Mickelson, Governor

The Honorable Walter D. Miller, Lieutenant Governor

CONSTITUTIONAL OFFICERS

The Honorable Roger Tellinghuisen, Attorney General

The Honorable Joyce Hazeltine, Secretary of State

The Honorable David L. Volk, Treasurer

The Honorable Vernon L. Larson, Auditor

The Honorable Tim Amdahl, Commissioner, School and Public Lands

PUBLIC UTILITIES COMMISSION

The Honorable Dennis Eisnach, Commissioner

The Honorable Kenneth Stofferahn, Commissioner

The Honorable James A. Burg, Commissioner

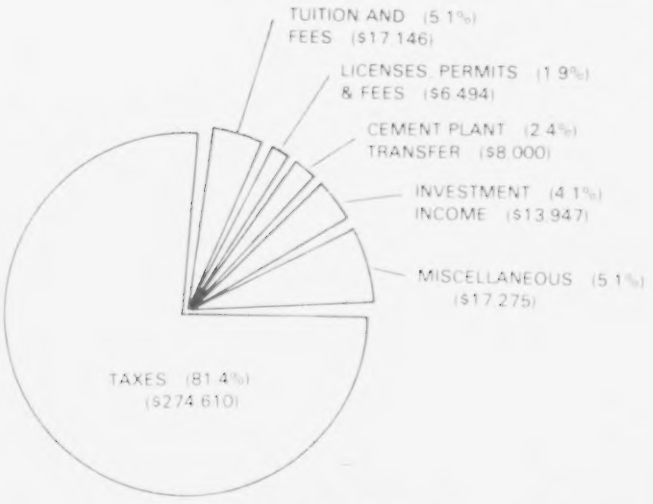
South Dakota Functions of Government

FUNCTION	DEPARTMENT
GENERAL GOVERNMENT	Executive Management Revenue State Lottery Unified Judicial System Legislature Attorney General School and Public Lands Secretary of State State Treasurer State Auditor
HUMAN RESOURCES	Social Services Health Labor Vocational Rehabilitation Charities and Corrections
NATURAL RESOURCES	Agriculture Game, Fish, and Parks Water and Natural Resources
PROTECTION OF PUBLIC AND PRIVATE DOMAIN	Public Utilities Commission Commerce and Regulation Military and Veterans' Affairs
TRANSPORTATION	Transportation
EDUCATION AND RESEARCH	Education and Cultural Affairs Higher Education
ECONOMIC RESOURCES	State Development

REVENUES

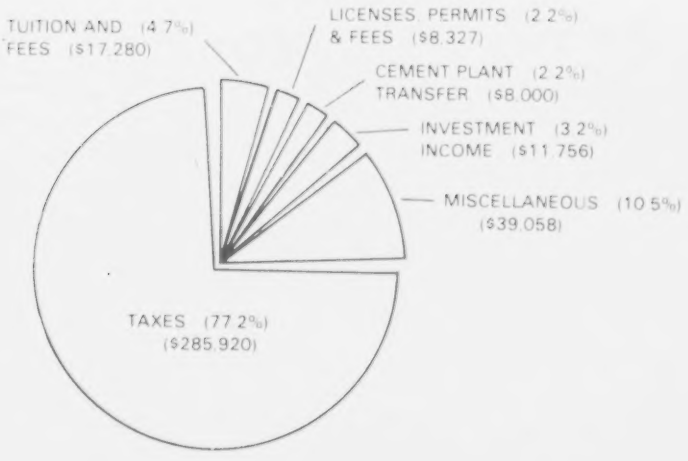
The charts below represent all general fund revenues including the executive, legislative, and judicial branches.

(Cash Basis)
General Fund Revenues by Category
FY 1986
(expressed in thousands)


TUITION AND FEES ($17,146) (5.1%)
LICENSES, PERMITS & FEES ($6,494) (1.9%)
CEMENT PLANT TRANSFER ($8,000) (2.4%)
INVESTMENT INCOME ($13,947) (4.1%)
MISCELLANEOUS ($17,275) (5.1%)
TAXES ($274,610) (81.4%)

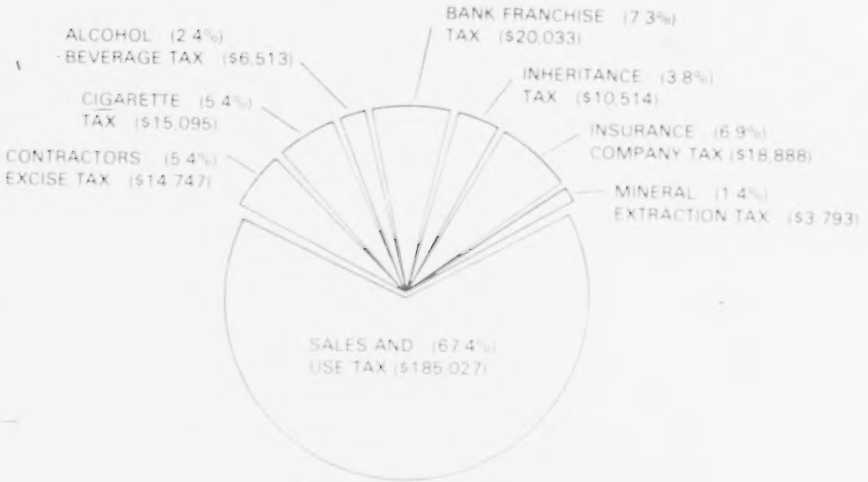
Total $337,472
100.00%

(Cash Basis)
General Fund Revenues by Category
FY 1987
(expressed in thousands)


TUITION AND FEES ($17,280) (4.7%)
LICENSES, PERMITS & FEES ($8,327) (2.2%)
CEMENT PLANT TRANSFER ($8,000) (2.2%)
INVESTMENT INCOME ($11,756) (3.2%)
MISCELLANEOUS ($39,058) (10.5%)
TAXES ($285,920) (77.2%)

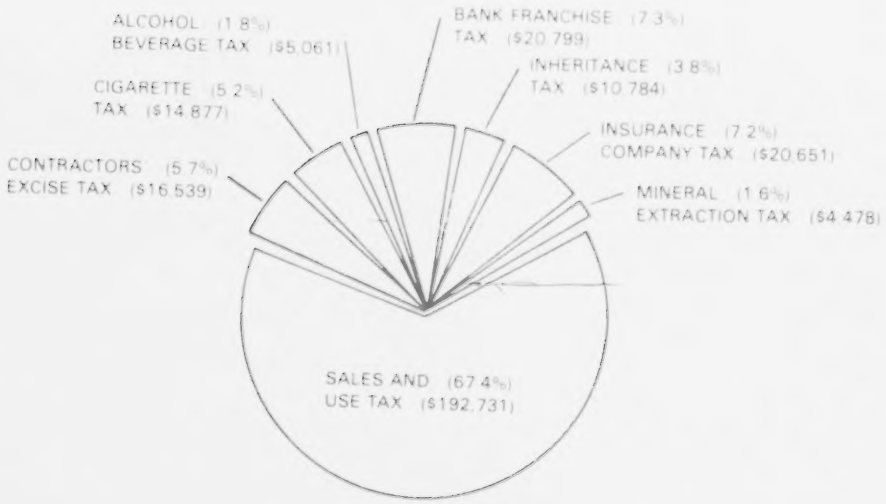
Total $370,341
100.00%

(Cash Basis)
General Fund Tax Revenues by Source
FY 1986
(expressed in thousands)



Total $274,610
100.00%

(Cash Basis)
General Fund Tax Revenues by Source
FY 1987
(expressed in thousands)

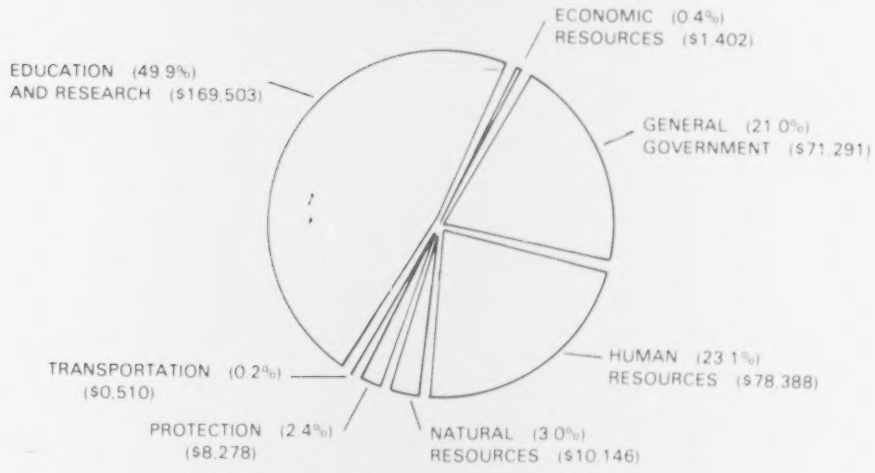


Total $285,920
100.00%

EXPENDITURES

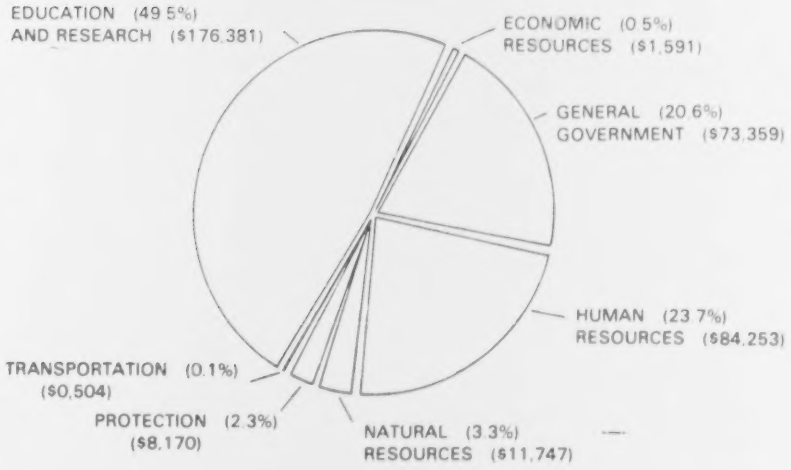
The charts below represent all general fund expenditures for the executive, legislative, and judicial branches of government.

(Cash Basis)
General Fund Expenditures by Function
FY 1986
(expressed in thousands)



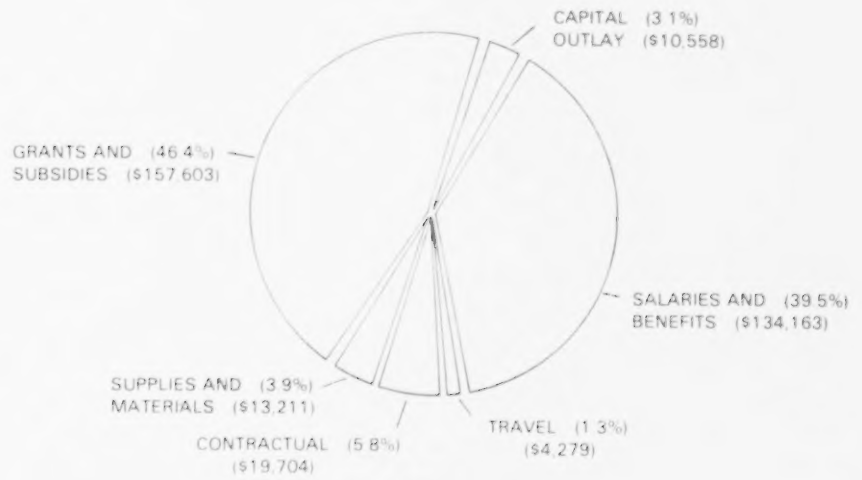
Total $339,518
100.00%

(Cash Basis)
General Fund Expenditures by Function
FY 1987
(expressed in thousands)



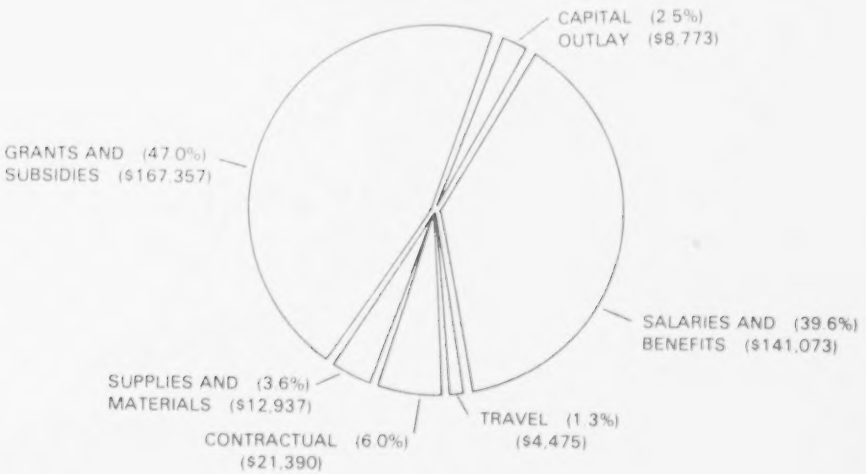
Total $356,005
100.00%

(Cash Basis)
General Fund Expenditures by Object of Expenditure
FY 1986
(expressed in thousands)



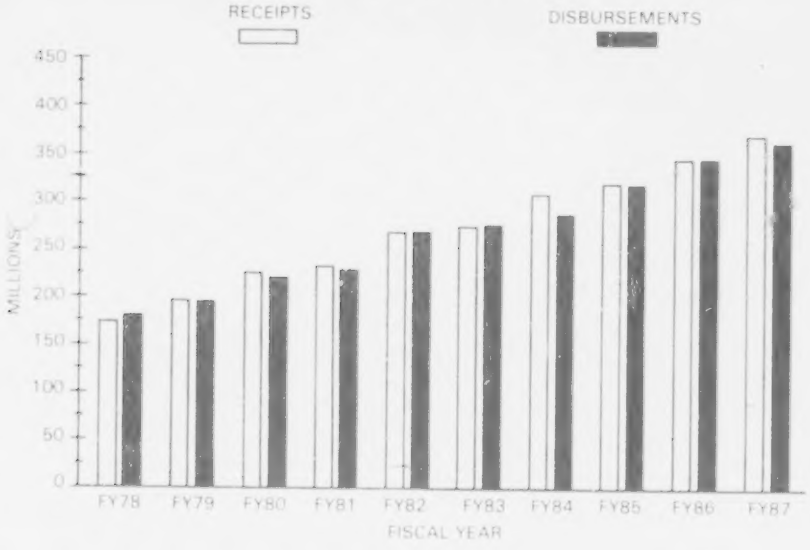
Total $339,518
100.00%

(Cash Basis)
General Fund Expenditures by Object of Expenditure
FY 1987
(expressed in thousands)

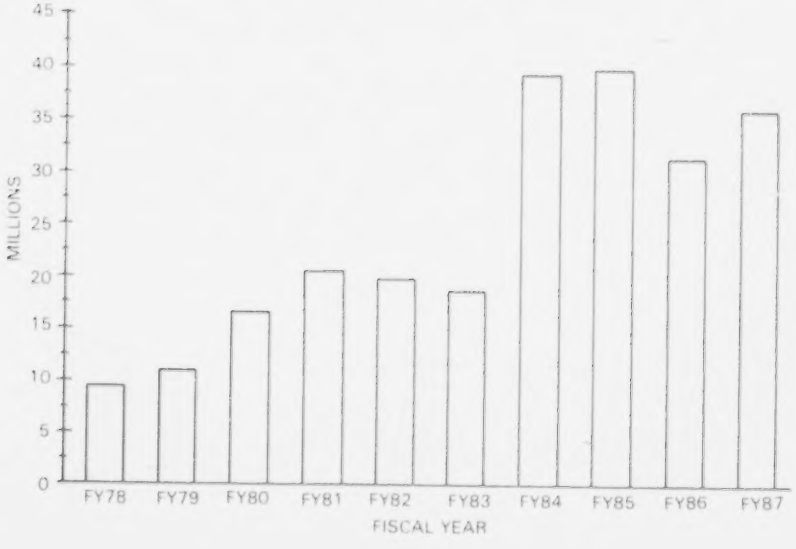


Total $356,005
100.00%

General Fund Receipts and Disbursements
10 Year History



Ending Cash Balance for the General Fund
10 Year History



Financial Section

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

Maurice C. Christiansen, CPA
AUDITOR GENERAL

435 SOUTH CHAPELLE
PIERRE, S.D. 57501-3292
(605) 773-3595

The Honorable George S. Mickelson
Governor of South Dakota

and

Members of the South Dakota Legislature

We have examined the general purpose financial statements of the State of South Dakota as of and for the fiscal year ended June 30, 1987, as listed in the Table of Contents. Except as explained in paragraphs 8, 9, 10, 11 and 12, our examination was made in accordance with generally accepted auditing standards and, accordingly, including such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not examine the financial statements of the following component units of the State of South Dakota:

- Housing Development Authority and the Health and Educational Facilities Authority, which represent 95 percent of total assets and 77 percent of total revenues of the enterprise funds;
- Building Authority, which represents 99 percent of total assets and 100 percent of total revenue of the debt service fund, 99 percent of total assets and 99 percent of total revenues of the capital projects fund, 90 percent of total liabilities of the general long-term debt account group, and 43 percent of total liabilities of higher education;
- Department of Labor, which represents 2 percent of total assets and 4 percent of total revenue of the special revenue funds; 3 percent of total assets of the trust and agency funds and 9 percent of total revenues of the trust funds; and,
- South Dakota Retirement System and Employees Insurance System, which represents 82 percent of total assets of the trust and agency funds and 63 percent of total revenue of the trust funds.

The financial statements identified in the preceding paragraph were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the general purpose financial statements is based solely upon the reports of other auditors.

The State maintained records and prepared financial statements for previous fiscal years on the cash basis with no recognition having been accorded accounts receivable, accounts payable or other accrued items. At the beginning of the current fiscal year the State adopted the modified accrual and accrual basis of accounting as appropriate. Although appropriate adjustments have been made to fund balance/retained earnings as of the beginning of the fiscal year, it was not practicable to determine what adjustments would be necessary in the financial statements of the preceding year to restate results of operations and changes in financial position in conformity with the accounting principles used in the current fiscal year.

In prior fiscal years, financial statements were presented for each individual state agency and component units. The financial statements were combined for fiscal year 1987 in accordance with generally accepted accounting principles. Financial statements of prior fiscal years were not adjusted for the effects of this change in reporting.

The notes to the financial statements do not include a schedule of changes in general fixed assets and a schedule of changes in long-term debt for compensated absences and capital leases which is necessary for fair presentation of the financial statements in accordance with generally accepted accounting principles.

Financial statements and the related actuarial information for the Cement Plant Retirement Fund were not available for inclusion in the general purpose financial statements. In our opinion, this information should be included to conform with generally accepted accounting principles. If the omitted fund had been included, based on unaudited information, the assets of the trust and agency fund type would have increased by $19,200,000 and revenue of the nonexpendable and pension trust funds would have increased by $2,582,837.

The University of South Dakota did not report an expense and related liability for compensated absences in the higher education column as required by generally accepted accounting principles. Due to the nature of the University's records, we considered it impractical to determine the amount of expense and related liability for compensated absences.

The budget adopted by the South Dakota Legislature is segregated into three budget groups, general fund, federal funds and other funds. Expenditures were not consistently recorded in the appropriate budget group. Due to the nature of the records, we were unable to satisfy ourselves as to the amounts reported in each of the budget groups in the Combined Statement of Expenditures—Budget and Actual (Non-GAAP), All Budgeted Fund Types.

The Department of Transportation accounting records for stockpile inventories did not accurately calculate moving average cost. Adjustments were made to units in stockpile inventories without adjusting the corresponding unit cost. New stockpiles are recorded in the accounting records based on an unsupported density factor and subsequent measurement of stockpiles does not include determining the current density factor. Due to the nature of the accounting records, we were unable to satisfy ourselves as to the amount reported for stockpile inventories by means of other auditing procedures. Stockpile inventories represent 61 percent of total inventories in the special revenue fund type.

Due to the nature of accounting records we were unable to satisfy ourselves as to the accuracy of amounts reported for accounts payable in the general fund and special revenue fund type. Reported accounts payable represent 67 percent and 73 percent of total liabilities of the general fund and special revenue funds, respectively.

Records maintained by several of the individual state agencies were not adequate to document a substantial portion of the original cost, additions and improvements to buildings recorded in the general fixed asset account group. As a result, we were unable to satisfy ourselves as to the amount reported for buildings, which represents 47 percent of the value reported for general fixed assets.

In our opinion, based upon our examination and the reports of other auditors, except for the effects of the matters explained in paragraphs 6 and 7 which result in an incomplete presentation; and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the accuracy of amounts reported for the items discussed in paragraphs 8, 9, 10, 11 and 12, the general purpose financial statements referred to above present fairly the financial position of the State of South Dakota at June 30, 1987, and the results of its operations and the changes in financial position of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Maurice C. Christiansen

May 13, 1988

STATE OF SOUTH DAKOTA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1987
(Expressed in Thousands)

	Governmental Fund Types			
Assets	General	Special Revenue	Debt Service	Capital Projects
Cash and Temporary Investments	$ 48,379	$ 86,306	$ 2,330	$ 19,222
Investments			171,967	
Accounts Receivable	10,831	2,111		1,001
Sales Tax Receivable				
Interest, Div. and Penalties Receivable			131	19
Loans and Notes Receivable	11	8,475		
Due From Other Funds	44,649	8,777	38	365
Due From Other Governments	484	20,126		
Inventory	1,737	11,045		
Prepaids	266	566		
Deferred Charges				
Other Assets	2,200			
Land				
Buildings				
Equipment				
Construction in Progress				
Accumulated Depreciation				
Amount to be Provided				
Amount Available in Debt Service				
Total Assets	$ 108,557	$ 137,406	$ 174,466	$ 20,607
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	$ 5,151	$ 24,880	$ 137	$ 173
Accrued Liabilities	1,427	3,590		
Due To Other Funds	1,051	3,166		
Due To Other Governments		419		
Deferred Revenue		1,995		
Escrow Payable				
Bonds and Notes Payable				
Certificates of Participation Payable				
Capital Lease Obligations	19	173		
Other Liabilities				
Total Liabilities	7,648	34,223	137	173
Fund Equity				
Contributions				
Investment in Fixed Assets				
Retained Earnings				
Reserve For Encumbrances				
Reserve For Debt Service				
Reserve - Other				
Unreserved				
Designated				
Undesignated				
Fund Balance				
Reserve For Encumbrances	2,971	8,199		
Reserve For Inventories	1,737	11,045		
Reserve For Public Schools				
Net Assets Available For Retirement Benefits				
Reserve - Other		100		
Unreserved Fund Balance	96,201	83,839	174,329	20,434
Total Retained Earnings/Fund Balance	100,909	103,183	174,329	20,434
Total Liabilities and Fund Equity	$ 108,557	$ 137,406	$ 174,466	$ 20,607

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups			
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Higher Education	Total (Memorandum Only)
$ 431,618	$ 3,372	$ 209,726			$ 28,188	$ 829,141
149,832		1,110,320				1,432,119
184,236	603	8,726			3,624	211,031
		39,462				39,462
15,105		8,422				23,677
711,037		8,091			18,055	745,669
3,085	2,648	5,009			1,456	66,027
	15	2,764				23,389
12,010	680				4,703	30,175
46	70				447	1,396
22,169	1					22,170
100	205	19				2,524
6,675	185	8,400	$ 14,853		2,574	32,687
30,134	234		95,617	—	146,804	274,789
41,104	18,902	38	90,663		82,740	233,437
1,695			2,330		8,493	12,518
(41,293)	(9,182)	(2)				(50,477)
				$ 44,098		44,098
				174,329		174,329
$ 1,567,552	$ 17,633	$ 1,400,975	$ 203,453	$ 218,427	$ 299,084	$ 4,148,160
$ 2,105	$ 702	$ 51,224		$ 24	$ 3,110	$ 87,506
22,987	910	3,756		19,708	8,323	60,701
1,554	279	56,939			3,038	66,027
		37,754				38,173
465	199				916	3,575
13,992						13,992
1,319,453				10,408	40,201	1,370,062
				187,820		187,820
896	3,681			467	684	5,920
1		2,846			1,218	4,065
1,361,453	5,771	152,519	0	218,427	57,490	1,837,841
2,576	3,937					6,513
			203,453		201,769	405,222
58	401					459
38,576						38,576
2						2
5,541						5,541
159,346	7,524					166,870
		37			1,117	12,324
					4,703	17,485
		110,960				110,960
		1,087,985				1,087,985
		4,755			447	5,302
		44,719			33,558	453,080
203,523	7,925	1,248,456	0	0	241,594	2,100,353
$ 1,567,552	$ 17,633	$ 1,400,975	$ 203,453	$ 218,427	$ 299,084	$ 4,148,160

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Revenue					
Taxes	$ 286,775	$ 51,352			$ 14,767
Licenses, Permits and Fees	8,613	45,326			962
Fines, Forfeits and Penalties	375	1,576			357
Use of Money and Property	49	2,255		$ 459	3,713
Sales and Services	20,369	5,260			141
Administering Programs	2,203	352,345			604
Other Revenue	2,971	3,515	$ 328	10	3,296
Interest Income	8,710	4,896	443	249	284
Total Revenue	330,065	466,525	771	718	24,124
Expenditures					
General Government	71,572	6,003	345	380	555
Human Resources	84,530	192,309			16,132
Natural Resources	11,497	31,573			689
Protection of Domain	8,259	14,486			47
Transportation	645	169,356			
Education and Research	94,564	41,875			
Economic Resources	1,721	22,024			
Total Expenditures	272,788	477,626	345	380	17,423
Excess of Revenues Over (Under) Expenditures	57,277	(11,101)	426	338	6,701
Other Financing Sources (Uses)					
Bond Proceeds				5,396	
Certificates of Participation Proceeds				184,564	
Operating Transfers In	37,019	6,512	172,579	1,260	74
Operating Transfers Out	(86,663)	(7,469)	(1,260)	(172,285)	(205)
Total Other Financing Sources (Uses)	(49,644)	(957)	171,319	18,935	(131)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,633	(12,058)	171,745	19,273	6,570
Fund Balance at Beginning of Year	91,539	104,150	2,584	1,161	42,654
Increase in Reserve for Inventory	1,737	11,045			
Decrease in Allowance Account		46			
Fund Balance at End of Year	$ 100,909	$ 103,183	$ 174,329	$ 20,434	$ 49,224

The notes to the financial statements are an integral part of this statement.

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STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
ALL BUDGETED FUND TYPES
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	GENERAL			FEDERAL		
	BUDGETED	ACTUAL	VARIANCE	BUDGETED	ACTUAL	VARIANCE
Gubernatorial (Excl. Indian Affairs)	$ 1,337	$ 1,332	$ 5	$ 106	$ 52	$ 54
Indian Affairs	172	172	0	0	0	0
Bureau of Finance and Management						
Operations	971	796	175	0	0	0
Budget Reduction Reversion	2,400	0	2,400	0	0	0
Contingency Fund	675	0	675	0	0	0
Bureau of Administration						
Operations	4,993	4,819	174	0	0	0
Development and Maintenance	5	0	5	0	0	5
Bureau of Personnel						
Operations	520	414	106	120	0	226
Reclassification and Sick Leave	6	0	6	0	0	6
Revenue	3,281	3,054	227	0	0	0
Agriculture (Excl. Livestock Sanitary Board)	2,240	2,145	95	862	862	95
Livestock Sanitary Board	933	869	64	287	287	64
State Development	1,400	1,400	0	0	0	0
Game, Fish, and Parks	2,958	2,958	0	2,800	2,800	1,367
Lottery	0	0	0	0	0	0
Social Services	45,164	44,983	181	136,128	134,367	1,761
Health	3,308	3,182	126	12,948	12,527	421
Labor (Excl. SD Retirement and Insurance)	223	217	6	22,314	18,581	3,733
SD Retirement and Insurance	0	0	0	0	0	0
Transportation	908	908	0	101,645	86,823	14,822
Education and Cultural Affairs (Excl. Higher Ed)	7,441	7,399	42	41,676	37,396	4,281
Division of Higher Education	84,643	84,198	445	32,300	24,874	7,426
Commerce and Regulation (Excl. Public Utilities Commission)	5,915	5,372	543	2,477	1,896	581
Public Utilities Commission	492	487	5	0	0	0
Military and Veterans' Affairs	2,131	2,072	59	2,501	2,186	315
Vocational Rehabilitation	1,136	1,122	14	5,816	5,704	112
Charities and Corrections	33,634	33,462	172	13,886	12,871	1,014
Water and Natural Resources	4,403	4,324	79	11,108	7,137	3,971
Unified Judicial System	12,776	12,443	333	0	0	0
Legislative (Excl. Legislative Audit)	2,844	2,636	208	0	0	0
Legislative Audit	1,425	1,331	94	0	0	0
Attorney General	3,370	3,367	3	288	241	47
School and Public Lands	308	306	2	0	0	0
Secretary of State	466	466	0	0	0	0
State Treasurer	1,044	844	200	0	0	0
State Auditor	526	511	15	0	0	0
GRAND TOTAL	$ 232,845	$ 226,934	$ 5,911	$ 392,500	$ 352,099	$ 40,401

The notes to the financial statements are an integral part of this statement.

OTHER			TOTAL (MEMORANDUM ONLY)		
BUDGETED	ACTUAL	VARIANCE	BUDGETED	ACTUAL	VARIANCE
$ 0	$ 0	$ 0	$ 2,172	$ 1,963	$ 209
0	0	0	112	86	26
1,603	1,397	206	2,420	2,166	255
0	0	0	2,302	0	2,302
0	0	0	270	0	270
17,494	16,999	1,495	22,451	20,912	1,539
0	0	0	11	0	11
1,490	690	800	2,236	1,043	1,193
6	0	6	20	0	20
2,685	2,527	158	5,966	5,764	202
9,537	5,486	4,151	12,740	8,464	4,276
8	1	7	1,296	1,184	112
2,282	2,218	64	3,778	3,692	86
10,792	10,634	158	17,747	16,184	1,563
0	26	(26)	0	26	(26)
5,469	4,761	708	187,523	184,675	2,848
2,917	2,891	326	19,173	18,300	873
1,028	948	80	23,565	19,746	3,819
1,811	1,580	231	1,811	1,580	231
88,833	74,792	14,041	191,083	162,120	28,963
2,306	959	1,347	53,323	47,653	5,670
66,829	61,782	4,047	182,838	170,920	11,918
11,683	10,222	1,463	20,077	17,490	2,587
1,155	628	527	1,647	1,115	532
0	0	0	4,632	4,258	374
147	145	2	7,152	7,030	128
2,745	2,115	630	50,264	48,448	1,816
5	2	3	15,516	11,463	4,053
161	566	(405)	12,937	13,009	(72)
38	0	38	2,882	2,636	246
0	0	0	1,425	1,331	94
1,710	1,499	211	5,368	5,107	261
0	0	0	308	306	2
0	0	0	466	466	0
0	0	0	1,044	844	200
0	0	0	526	511	15
$ 231,742	$ 201,458	$ 30,284	$ 857,087	$ 780,491	$ 76,596

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS / FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable / Pension Trust
Operating Revenue:			
Licenses, Permits and Fees	$ 1,770		
Fines, Forfeits and Penalties	448		
Use of Money and Property	117,500	$ 11	$ 145,467
Sales and Services	35,149	19,270	
Retirement Trust Revenue			54,636
Administering Programs	16		
Other Revenue	81	39	
Total Operating Revenue	154,964	19,320	200,103
Operating Expenses			
Personal Services and Benefits	8,622	5,174	678
Travel	286	108	39
Contractual Services	9,516	6,226	678
Supplies and Materials	8,225	5,601	123
Capital Outlay	28	6	
Other	777		
Interest	104,135		
Bad Debts	30	12	
Inventory Adjustment	1		
Depreciation/ Amortization	6,055	3,502	
Investment Expenses			1,555
Retirement Benefits			27,718
Term Employee Retire. Withdrawals			6,323
Total Operating Expenses	137,675	20,629	37,114
Operating Income	17,289	(1,309)	162,989
Nonoperating Revenue (Expenses)			
Disposal of Fixed Assets	(8)	(42)	
Interest Income	2,829	50	12
Interest Expense	(20)	(305)	
Total Nonoperating Revenue (Expenses)	2,801	(297)	12
Income Before Operating Transfers	20,090	(1,606)	163,001
Operating Transfers			
Transfers In	194	1,922	535
Transfers Out	(45)	(99)	
Total Operating Transfers	149	1,823	535
Net Income Before Extraordinary Items	20,239	217	163,536
Extraordinary Items			
Loss on Extinguishment of Deferred Financing	(2,992)		
Partial Litigation Settlement	(680)		
Total Extraordinary Items	(3,672)	0	0
Net Income	16,567	217	163,536
Retained Earnings/ Fund Balances at Beginning of Year	219,956	7,700	1,035,696
Prior Period Adjustments			
Overstatement of Accounts Payable		17	
Restatement of Equipment		(9)	
Contribution to General Fund	(33,000)		
Retained Earnings/ Fund Balances at End of Year	$ 203,523	$ 7,925	$ 1,199,232

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND
SIMILAR TRUST FUNDS
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable/ Pension Trust
Cash Provided by Operations:			
Net Income Before Extraordinary Items	$ 20,239	$ 217	$ 163,536
Charges to Income Not Affecting Working Capital:			
Depreciation/Amortization	6,055	3,502	
Loss on Disposal of Assets	8	42	
Reduction in Advanced Deposits	2		
Capitalized Interest on Capital Accumulator Bonds	5,002		
Bad Debts	30	12	
Realized Gain on Sales of Investments			(70,497)
Interest Earned and Added to Principal of Student Loans Receivable	(193)		
Increase in Current Value of Assets Held			(9,608)
Gain on Disposal of Assets		(13)	
Acquisition of Donated Assets		(33)	
Total Working Capital Provided by Operations	31,143	3,727	83,431
Changes in Certain Working Capital Components:			
Assets: (Increase)/Decrease			
Accounts Receivable	(433)	(294)	25,088
Loans/Notes Receivable	(828)		74
Inventories	3,588	349	
Due from Others	(2,949)	(474)	104
Prepaid Expenses	48	5	
Deferred Charges	(2,186)	(1)	
Other Assets			414
Investments	(67,356)		
Interest/Dividends Receivable	4,163	(15)	273
Liabilities: Increase/(Decrease)			
Accounts Payable	323	107	8,129
Due to Others	1,542	(19)	(786)
Accrued Liabilities and Other Liabilities	648	157	
Capital Lease Obligations	(96)	2,359	
Deferred Revenue	207	(19)	
Net Cash Provided by Operations	(32,186)	5,882	116,727
Additional Sources of Cash:			
Increase in Multifamily Escrows and Reserves	1,982		
Sale of Bonds (Net)	189,540		
Mortgage Loan Principal Repayments	65,457		
Interest Payable Applied to Principal Balance of Note Payable	612		
Sale of Student Loans	118		
Collection of Receivables	8,672		
Note Proceeds, Net of Issuance Costs of $1,195	66,905		
Sale of Assets	9	121	
Prior Period Adjustment - Retained Earnings	5		1,318
Contribution from State General Fund	72		
Total Additional Sources of Cash	333,372	121	1,318
Cash Used for Acquisitions:			
Purchases of Fixed Assets	2,639	6,414	35
Purchase of Mortgage Loans and Loan Advances	112,842		
Purchase of Investments			115,145
Total Cash Used for Acquisitions	115,481	6,414	115,180
Other Uses of Cash:			
Retirement of Long-Term Debt	20,182		
Repayment of Bonds Payable	190,642		
Partial Settlement of Litigation	680		
Increase in Amortization Costs	272		
Transfer to State General Fund	33,000		
Total Other Uses of Cash	244,776	0	0
Net Increase/(Decrease) in Cash	(59,071)	(411)	2,865
Cash and Short-Term Investments at Beginning of Year	490,689	3,783	113,187
Cash and Short-Term Investments at End of Year	$ 431,618	$ 3,372	$ 116,052

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
HIGHER EDUCATION
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	CURRENT FUNDS			
	UNRESTRICTED APPROPRIATED	UNRESTRICTED NON-APPROPRIATED	RESTRICTED APPROPRIATED	RESTRICTED NON-APPROPRIATED
Revenues and Other Additions				
Tuition and Fees	$ 4,123	$ 12,511		
School and Public Lands	1,746			
Federal Appropriation				
Federal Grants and Contracts			$ 5,227	
State Grants and Contracts				$ 22,769
Private Gifts, Grants and Contracts				1,872
Auxiliary Enterprise Revenue		117		2,945
Retirement of Indebtedness		18,078		
Indirect Cost Recovery				
Investment Income		1,156		
Bonds Written Off	238			
Expended for Plant				1
Sales and Services				
Other Sources		9,359		
		1,505		18
Total Revenue and Other Additions	6,107	42,726	5,227	27,605
Expenditures and Other Deductions				
Education and General	84,530	23,068	5,213	26,361
Auxiliary Enterprise		16,428		67
Veterinarian's Tuition and Grants	122			
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Indirect Costs Recovered				
Disposal of Plant				1,057
Loan Cancellations and Write-Offs				
Administrative and Collection Costs				
Total Expenditures and Other Deductions	84,652	39,496	5,213	27,485
Transfers Among Funds - Additions (Deductions)				
Non-Mandatory				
Net Interfund Transfers	(2,504)	(332)		
Operating Transfers from General Fund	83,442	25		(20)
Operating Transfers from Other State Agencies	122			
Mandatory				
Principal and Interest	(2,729)	(1,194)		
Renewals and Replacements		(760)		
Loan Fund Matching		(78)		
Total Transfers In (Out)	78,331	(2,339)	-0-	(20)
Net Increase (Decrease) for Year	(214)	891	14	100
Fund Balance at July 1, 1986	(920)	12,974		310
Adjustments				
Restricted Receivables			83	
Prior Period Adjustments	(3,216)	82		134
Correction of Error		(29)		
Adjusted July 1, 1986 Fund Balance	(4,136)	13,027	83	444
FUND BALANCE, June 30, 1987	$ (4,350)	$ 13,918	$ 97	$ 544

The notes to the financial statements are an integral part of this statement.

LOAN FUNDS	PLANT FUNDS: UNEXPENDED PLANT FUNDS	PLANT FUNDS: RENEWALS & REPLACEMENTS	PLANT FUNDS: RETIREMENT OF INDEBTEDNESS	PLANT FUNDS: INVESTMENT IN PLANT	TOTAL
					$ 16,634
					1,746
$ 746		$ 48	$ 85		5,227
					23,645
					1,872
				$ 79	3,141
					18,078
				1,809	1,809
					1,156
369	$ 255	225	216		1,303
				180	180
				18,360	18,360
	$ — 1				9,360
35					1,558
1,150	256	270	300	20,428	104,069
					139,172
					16,495
					122
	8,292	3,473			11,765
			1,809		1,809
			2,751		2,751
					1,057
				2,021	2,021
396					396
163			2		165
559	8,292	3,473	4,562	2,021	175,753
(27)	80	2,621	53		(129)
					83,467
				318	440
			3,923		
		760			
78					
51	80	3,381	3,976	318	83,778
642	(7,956)	178	(286)	18,725	12,094
18,526	133	2,995	1,929	184,531	220,478
					83
	13,603	(148)		(1,487)	8,968
					(29)
18,526	13,736	2,847	1,929	183,044	229,500
$ 19,168	$ 5,780	$ 3,025	$ 1,643	$ 201,769	$ 241,594

STATE OF SOUTH DAKOTA
HIGHER EDUCATION
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

	UNRESTRICTED APPROPRIATED	UNRESTRICTED NON-APPROPRIATED	RESTRICTED APPROPRIATED	RESTRICTED NON-APPROPRIATED	TOTAL
Revenues					
Tuition and Fees	$ 4,123	$ 12,511			$ 16,634
School and Public Lands	1,746				1,746
Federal Appropriation			$ 5,213		5,213
Federal Grants and Contracts				$ 21,806	21,806
State Grants and Contracts				1,795	1,795
Private Gifts, Grants and Contracts		117		2,779	2,896
Auxiliary Enterprise Revenue		18,078			18,078
Investment Income	238				238
Sales and Services		9,359			9,359
Other Sources		2,648		48	2,696
Total Revenue	6,107	42,713	5,213	26,428	80,461
Expenditures and Mandatory Transfers					
Education and General					
Instruction	45,997	6,292	62	2,068	54,419
Research	5,162	2,578	2,033	4,386	14,159
Public Service	4,859	2,088	3,118	2,923	12,988
Academic Support	10,073	3,399		791	14,263
Student Services	3,478	4,757		419	8,654
Institutional Support	7,485	2,660		104	10,249
Operation and Maintenance of Plant	7,387	913		39	8,339
Scholarships and Fellowships	211	348		15,631	16,190
Education and General Expenditures	84,652	23,035	5,213	26,361	139,261
Auxiliary Enterprises Expenditures		16,428		67	16,495
Mandatory Transfers					
For Principal and Interest	2,729	1,194			3,923
For Renewal and Replacement		760			760
For Loan Fund Matching		78			78
Total Mandatory Transfers	2,729	2,032	-0-	-0-	4,761
Total Expenditures and Mandatory Transfers	87,381	41,495	5,213	26,428	160,517
Other Transfers and Additions (Deductions)					
Operating Transfers from General Fund	83,442	25			83,467
Operating Transfers from Other State Agencies	122				122
Net Transfers In (Out)	(2,504)	(323)		(20)	(2,847)
Excess of Restricted Receipts Over Transfers to Revenue			14	120	134
Other		(29)			(29)
Total Other Transfers and Additions (Deductions)	81,060	(327)	14	100	80,847
NET INCREASE/(DECREASE) IN FUND BALANCE	$ (214)	$ 891	$ 14	$ 100	$ 791

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity:

The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) and the National Association of College and University Business Officers.

Oversight responsibility is derived from the governmental unit's power and includes (1) financial interdependency, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters. Component units included in this report consist of the Building Authority, Housing Development Authority and the Health and Educational Facilities Authority. Oversight responsibility implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

B. Fund Accounting:

The accounts of the state are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The state has established the following fund categories, fund types and account groups:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the state. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Account for specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - Account for resources accumulated for the retirement of general long-term debt principal and interest.

Capital Projects Funds - Account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary, fiduciary or higher education funds).

Proprietary Funds:

Enterprise Funds - Account for activities that are financed and operated in a manner similar to private business enterprises where: (a) the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate. Certain segment information is presented in Note 14.

Internal Service Funds - Account for the financing of goods or services provided by one department or agency to other departments or agencies of the state, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds - Account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust, pension trust and agency funds. Nonexpendable trust and pension trust funds are accounted for in the same manner as proprietary funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve the measurement of the results of operations.

Account Groups:

General Fixed Assets Account Group - Accounts for all fixed assets acquired or constructed by governmental and expendable trust funds.

General Long-Term Debt Account Group - Accounts for long-term obligations of governmental funds and expendable trust funds not paid with current resources.

Higher Education:

The discrete presentation of higher education reflects transactions related to resources received and used for the operation of the state's colleges and universities. The financial activities are reported in accordance with existing authoritative accounting and reporting principles applicable to colleges and universities. Accordingly, the higher education column is an aggregation of the following funds:

Current Funds - Unrestricted: Account for economic resources which are expendable for the purpose of performing the primary objectives of the colleges and universities for which no stipulation has been made by donors or other external agencies as to the purpose for which they should be expended.

Current Funds - Restricted: Account for resources received from donors or other external agencies that are restricted by them for specific operating purposes.

Loan Funds: Account for resources available for loans to students.

Plant Funds: Account for (1) resources to be used in the acquisition of physical properties but unexpended at the date of reporting, (2) resources set aside for renewals and replacements, (3) resources set aside for debt service charges and for retirement of indebtedness, and (4) resources expended for and thus invested in college and university property.

Agency Funds: Account for resources held by a college or university acting in the capacity of an agent for distribution to designated beneficiaries.

C. **Totals (Memorandum Only):**

The "Totals (Memorandum Only)" columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the state.

D. **Basis of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary

fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Governmental, expendable trust and agency funds are reported on the modified accrual basis of accounting. Revenues of governmental and expendable trust funds are recognized when they become measurable and available as net current assets. Significant revenue sources which are susceptible to accrual include sales tax, motor fuel taxes, bank card taxes, grant revenues, investment income and charges for goods and services. Fines, penalties, licenses and other miscellaneous revenues are recognized when received since they are normally measurable only at this time.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick leave, and other employee amounts are accrued only to the extent that the expenditure would be made from expendable available financial resources with long-term portions reported in the general long-term debt account group; and (2) principal and interest on general long-term obligations are recognized when due.

Proprietary, pension trust, nonexpendable trust and the higher education funds are reported on the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

E. Budgetary Accounting:

Agencies and departments submit budget requests to the Bureau of Finance and Management. The Commissioner approves the bureau's budget recommendation that is presented to the Governor for his consideration. The Governor's decisions are presented to the Legislature in the **Governor's Budget Book**.

The financial plan for each fiscal year is adopted by the Legislature by the passage of a general appropriations act, special appropriations acts and deferred maintenance appropriations.

The formal budget approved by the Legislature does not include budgeting for revenues and other financing sources/uses.

Interim appropriations are requested by the state agencies through the Bureau of Finance and Management. The Joint Committee on Appropriations reviews the request and makes the final determination. During fiscal year 1987, interim appropriations of $15,373,110 were approved.

Monies appropriated on a program basis by the general appropriations act may be transferred between program accounts within or between departments and bureaus at the written request of the state agency and approval by the Commissioner of the Bureau of Finance and Management.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative and judicial branches of the state. By law, appropriations are classified into general, federal and other fund classifications. Encumbrances and certain monies available to departments and component units are not included in the general appropriations act and are not budgeted.

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded, is utilized in order to reserve that portion of the applicable appropriation in the governmental, proprietary, higher education and fiduciary fund types. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances at fiscal year end for the State of South Dakota totalled $12,783,267.

Budget authority and appropriations in an amount equal to outstanding encumbrances may be carried forward for two fiscal years after the expiration of the appropriation acts with the approval of the Commissioner of Finance and Management. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in

the Available Funds Report which is available at the Bureau of Finance and Management.

F. Budgetary - GAAP Reporting Reconciliation:

The accompanying Combined Statement of Expenditures - Budget and Actual (non-GAAP), All Budgeted Fund Types, presents comparisons of the general appropriations act and deferred maintenance appropriations with actual data on the budgetary basis. Because accounting principles applied for the purpose of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the expenditures for the year ended June 30, 1987 is presented below (expressed in thousands):

	General Fund	Federal Funds	Other Funds	Special Revenue	Expendable Trust	Internal Service	Enterprise	Pension Trust
Expenditures, Budget Basis	$226,934	$352,099	$201,458	$	$	$	$	$
Adjustments:								
To Adjust Encumbrances	(1,721)	(1,268)	(8,246)					
To Adjust Unexpended Deferred Maintenance Appropriations	(1,060)	(267)	(1,747)					
To Adjust Expenditures for Accruals	(871)			12,541	(422)	11	(1,858)	
Reclassifications and Other Adjustments:								
To Eliminate Colleges and Universities	(83,542)	(22,553)	(63,562)					
To Eliminate Agency Funds			(3,958)					
To Reclassify Expenditures into Financial Statement Fund Types		(328,011)	(123,945)	428,436	1,711	16,579	3,994	1,236
To Record Expenditures for Non-Budgeted Fund Types	133,048			36,649	16,134	4,386	139,239	35,878
Expenditures (GAAP Basis)	$272,788	$ 0	$ 0	$477,626	$ 17,423	$ 20,976	$ 141,375	$37,114

G. Cash and Temporary Investments:

For reporting purposes, this account includes cash on hand, cash in local banks, cash in the State Treasury and short-term investments. Cash balances of most state funds are pooled and invested by the State Investment Officer. Interest earned is allocated to participating funds at year end.

H. Inventories:

Inventory amounts are valued at the lower of cost or market using the moving average cost method. Inventories are expensed using the purchase method for governmental funds and the consumption method is used for proprietary funds.

I. Investments:

This account represents investments in corporate stocks, bonds, convertible debt, U.S. government bonds, and real estate. Investments are reported at cost, except for pension fund investments which are carried at market value and real estate which is valued at cost or fair value at date of receipt.

J. Deferred Charges:

Deferred charges are the amortization of bond and note issuance costs, using the bonds outstanding method, over the life of the bonds.

K. Other Assets:

The $2,200,000 in the General Fund represents collateral for up to $24,000,000 of loans to be issued by the South Dakota Finance Authority.

L. Fixed Assets:

Governmental and expendable trust fund purchases of fixed assets are reported as expenditures in the purchasing fund. Assets purchased through leases or bond sales

are capitalized when purchased or constructed. Assets are capitalized in the general fixed assets account group at cost. Donated assets are capitalized at fair market value at the date of donation. Historical cost records for certain general fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used. For financial reporting purposes, depreciation is not recorded on these fixed assets. Public domain (infrastructure) general fixed assets such as highways, curbs, bridges, railroad track, right-of-way, and lighting systems are not capitalized.

Proprietary, pension trust, and nonexpendable trust fund purchases of fixed assets are capitalized in the fund in which they are utilized and depreciated on the straight line basis over the estimated useful life of each asset.

These fixed assets are reported in the funds at cost or, if donated, at fair market valued on the acquisition date.

Fixed assets reported in the general fixed asset account group and in proprietary funds are capitalized when the value or cost is in excess of $300 at the date of acquisition, have an expected useful life of one or more years, and are tangible in nature.

Higher education plant assets are recorded at cost or fair market value at the time donated. Library books and films are capitalized at cost when purchased. Books and films are deleted from the inventory at an average price calculated at the beginning of the fiscal year. Fixed assets are capitalized if they have a useful life of one year or more and a unit cost in excess of $200. Major additions to plant are capitalized when the addition increases the value of the asset by 2 percent or more. Depreciation is not recorded.

M. Reserve for Public Schools:

The principal of the School and Public Lands permanent fund is to remain inviolate forever. Investment earnings are used to partially fund public education.

N. Annual and Sick Leave Accrual:

Annual leave and sick leave are earned by all full-time and permanent part-time employees. Employees earn fifteen days annual leave per year which can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year which can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours.

The accrued annual and sick leave liability at June 30, 1987 was $13,887,516 and $13,458,536, respectively, based on pay rates at June 30, 1987.

2. CASH, DEPOSITS AND INVESTMENTS

Deposits and investments are authorized by South Dakota Codified Laws (SDCL), and administrative rules. Additionally, restrictions on investments may be required by bonded debt provisions. Except as otherwise indicated, the state was in compliance with legal requirements governing deposit and investing activities.

State public funds are deposited and invested through the Cash Flow Fund, using the pooled deposit and investment concept which preserves the integrity of the fund cash balance of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies.

Deposits:

Deposits, including demand deposits, time deposits and certificates of deposit, are generally made in financial institutions located within the State of South Dakota.

Collateral for deposits in each qualified public depository was calculated, during fiscal year 1987, and at June 30, 1987, to be 110 percent of the average balance of all public deposits

in excess of depository insurance during the immediately preceding twelve months. Collateral having a value, based on the lower of cost or market, at least equal to the amount calculated above was required by SDCL 4-6A to be segregated by each depository in its own trust department or in another manner as approved by the South Dakota Public Deposit Protection Commission and clearly identified as security for the benefit of public depositors. Housing Development Authority deposits were not covered by SDCL 4-6A, but were collateralized at 102 percent of the bank balance in excess of depository insurance.

At June 30, 1987, deposit balances were classified as deposits fully insured or collateralized with securities held by the state or its agent in the state's name (Category 1), deposits collateralized with securities held by the pledging institution's trust department or agent in the state's name (Category 2), and deposits that are uninsured and uncollateralized (Category 3) (expressed in thousands):

	Category 1	Category 2	Category 3	Bank Balance	Carrying Value
Demand Deposits	$ 560	$ 4,215	$	$ 4,775	$ 4,589
Savings	100	63,483		63,583	63,583
Certificates of Deposit and Money Market Savings	9,141	43,984	4,592	57,717	57,717
TOTAL	$ 9,801	$111,682	$ 4,592	$126,075	$125,889

Effective July 1, 1987, the collateral pledged as security for deposits must be equal to 110 percent of the total public deposits in excess of depository insurance as determined on each quarterly call report date. This change will effectively eliminate the Category 3 risk related to deposits identified above.

The amounts reported in Category 3 above relate to the Cash Flow Fund and may not represent actual risk levels due to the prescribed method of computing collateral in relation to the average deposits of all public depositors for the preceding twelve months.

Investments:

Authorized investments generally include obligations consisting of securities guaranteed either directly or indirectly by the United States of America, or the State of South Dakota; notes or bonds issued and guaranteed by political subdivisions of the state; and, notes, bonds or debentures of solvent corporations, provided they are rated in the four highest classifications established by at least two rating services.

At June 30, 1987, the Cash Flow Fund held a Collateralized Mortgage Obligation, with a carrying amount of $19,162,458 and a market value of $18,936,279. This security did not conform to the legally authorized investment types for the Cash Flow Fund, and was subsequently sold from the portfolio.

State school and endowment funds are authorized to invest, additionally, in loans made by the Veteran's Administration, Farmer's Home Administration, Federal Housing Administration, and Small Business Administration, as well as loans made under the Federal Higher Education Act of 1965, as amended.

Housing Development Authority funds can also be invested in obligations issued by Government National Mortgage Association, Federal National Mortgage Association, Federal Land Bank, Federal Home Loan Bank, Bank for Cooperatives, or Federal Farm Credit Banks.

Public employee pension funds can also be invested in corporate equity securities and other types of investments consistent with the "prudent man concept," considering the probable safety of capital, as well as the probable income.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: Category A are those which are insured or registered, or held by the state or its agent in the state's name; Category B are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name; and Category C are those which are uninsured

and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name. Pension fund investments are carried at market value, consistent with the method of computing net assets available for benefits for balance sheet purposes as required by Governmental Accounting Standards Board Statement 5.

Investments not categorized include balances invested in mutual funds, and amounts in the custody of outside money managers.

At June 30, 1987, the state's investments consisted of the following (expressed in thousands):

	Category A	Category B	Category C	Carrying Value	Market Value
Short-Term Investments	$ 238,388	$	$	$ 238,388	$ 238,680
Repurchase Agreements	116,869		3,681	120,550	120,550
U.S. Government Backed Securities	536,344			536,344	533,887
U.S. Government Backed Loans	78,186			78,186	78,186
Corporate Notes	164,831			164,831	164,539
Corporate Equity Securities	569,241			569,241	569,241
Municipal Bonds	468			468	468
Annuity Contracts	2,064			2,064	2,064
Investment Contracts	107,273			107,273	107,273
Liquidation and Arbitrage (Primarily Equity Securities)			9,739	9,739	9,739
Investment in Limited Partnership			14,572	14,572	14,572
Real Estate Funds	13,852		13,854	27,706	27,706
Equity Mutual Funds			9,282	9,282	9,282
International Funds			15,594	15,594	15,594
Other	160			160	160
	$1,826,675	$ -0-	$ 67,721	$1,894,396	$1,891,939
Unclassified:					
Mutual Funds				27,184	27,361
Assets Held by Insurance Company				11,789	11,789
TOTAL				$1,933,369	$1,931,089

Short-term investments consist primarily of commercial paper rated as required by statute.

The pension fund investment portfolio includes futures contracts due September 18, 1987, which will reduce the market exposure for equity securities by $134,672,000, and increase U.S. Government debt securities and short-term investments in a like amount.

3. TAXES, NOTES AND LOANS RECEIVABLE

Taxes Receivable: Sales and use taxes receivable at June 30, 1987 was shown net of the allowance for doubtful accounts equaling $3,740,335.

Loans and Notes Receivable: Loans and notes receivable at June 30, 1987 consisted of the following (expressed in thousands):

	General	Special Revenue	Expendable Trust	Non-Expendable Trust	Higher Education	Enterprise	Total
Land Sale Notes	$ 11	$	$ 2	$ 8,023	$	$	$ 8,036
Housing Loans						708,680	708,680
Hospital & School Loans					18,055	2,357	20,412
Water District Loans		4,665		66			4,731
Agriculture Loans		3,808					3,808
Rail Authority Loans		512					512
	11	8,985	2	8,089	18,055	711,037	746,179
Less: Allowance for doubtful accounts		510					510
Loans and Notes Receivable, net	$ 11	$ 8,475	$ 2	$ 8,089	$18,055	$711,037	$745,669

Loans and notes receivables were not separated by long-term or short-term, therefore, there is no line item for general, special revenue or expendable trust reserves on the balance sheet.

4. CONSTRUCTION IN PROGRESS

Construction in progress for the general fixed asset account group is as follows:

Department of Education and Cultural Affairs	
Cultural Heritage Center	$ 321,690
W. H. Over Museum	29,871
	351,561
Department of Transportation	
Other Construction Under $25,000	318,189
Presho Building and Site Costs	282,308
Pierre 3059 Air Conditioner and Computer Service	215,876
Platte Building and Site Costs	240,034
Madison Shop and Site Costs	204,335
Bison Shop and Site Costs	204,168
Webster Building and Site Costs	136,629
Pierre 3207 Water Drainage and Sidewalk	71,523
Aberdeen Sign Shop Improvement	55,609
Pierre 3058 AC/Ventilation	40,824
Rapid City Regional Office and Repair Shop	80,152
Buffalo Yard Cost	37,229
Mitchell Tile Repair Laboratory Building	33,581
Winner Scale House	32,377
Blunt Scale House	25,904
	1,978,738
TOTAL GENERAL FIXED ASSETS	$2,330,299

Construction in progress for higher education is as follows:

Northern State College	
Joseph Barnett Complex	$7,014,290
Barnett Parking Lot	285,053
Dakota State College	
Kennedy Hall - New Classroom	1,104,387
Black Hills State College	
Physical Education Facility	57,000
School of Mines and Technology	
New Classroom	32,804
South Dakota State University	
Horticulture - Forestry Phase II	77
TOTAL HIGHER EDUCATION	$8,493,611

Construction in progress for proprietary funds is as follows:

Cement Plant	
Kiln 7 High Efficiency Separator	$1,027,204
Kiln 5 Shell and Chain	250,749
Crusher Control System	156,030
Miscellaneous Construction in Progress	130,901
Kiln 5 Discharge Seal	31,966
Scotts Bluff Terminal	25,373
Motor	23,300
Truck Silo Scales	18,752
Finished Mill Lighting	18,520
T3 Circuit Breaker	12,725
TOTAL PROPRIETARY FUNDS	$1,695,520

5. RETIREMENT PLAN

South Dakota Retirement System

Plan Description. The South Dakota Retirement System (SDRS) is a cost-sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state and local governments. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the state's financial report as a pension trust fund. For the fiscal year ended June 30, 1987 the state's covered payroll was $201,772,587 and the total payroll was $216,722,890.

Every political subdivision and every public corporation including municipalities, counties and chartered governmental units in the State of South Dakota may become a participating unit in the SDRS by a duly passed resolution of its governing body. Any retirement plan of a political subdivision or public corporation created prior to July 1, 1974, other than those listed above, may be accepted as a participating unit if the members of such a retirement plan vote by a two-thirds majority to become members of the SDRS.

Any local government in the state may elect to have its full-time general, police and fire department employees covered by the SDRS. At June 30, 1987 SDRS Membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits But Not Yet Receiving Them*	
General	11,113
Public Safety and Judicial	356
TOTAL	11,469
Current Employees	
Vested	
General	15,991
Public Safety and Judicial	732
Non-Vested	
General	10,702
Public Safety and Judicial	481
TOTAL	27,906

*Includes terminated non-vested members who are only entitled to refund of member contributions with interest.

The SDRS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service. General members who retire at or after age 65 with five years of service or at or after age 60 where age and service equal 85 are entitled to an unreduced annual retirement benefit. Public safety members can retire at or after age 55 (age 60 if hired after June 30, 1982) with five years of service and judicial members who retire at or after age 65 with five years of service are entitled to an unreduced annual retirement benefit.

The general annual benefit is the greater of 1.2 percent of their final average salary times years of credited service or 2 percent of their final average salary times years of credited service less other public benefits. Public safety members receive a benefit of 2 percent of their final average salary times years of credited service. Judicial members receive a benefit of 3-1/3 percent of the final average salary times years of credited service up to 15 years plus 2 percent of final average salary times years of credited service in excess of 15 years.

Final average salary is the member's highest average compensation earned during 12 consecutive calendar quarters of their last 40 quarters of employment.

All full-time and permanent part-time state employees participate in the SDRS. In addition, the following groups of employees are covered:

Teachers
Justices, judges and law trained magistrates
Policemen and certain firemen of participating municipalities

General employees of participating municipalities
General employees and law enforcement officers of participating counties
Classified employees of school districts that are participating with their classified employees
Employees of the Board of Regents
State law enforcement officers
State penitentiary correctional staff personnel

Covered employees are required by statute to contribute a percentage of their salary to the SDRS as follows:

General members - 5 percent
Judicial - 8⅝ percent, increasing by ⅛ of 1 percent per year until contributions equal 10 percent
Public safety hired after June 30, 1982 - 8 percent
Public safety hired before June 30, 1982 - 8⅝ percent, increasing by ⅛ of 1 percent per year until contributions equal 10 percent

The state is required by the same statute to contribute an amount equal to the member's contribution. Members may make an additional contribution of 8.10 of 1 percent of salary for optional death benefit coverage.

Benefit provisions are established by state statute and are payable monthly for the life of the member, with 50 percent of the benefit payable to the surviving spouse. Members may retire ten years prior to their normal retirement date with a reduced retirement benefit. Benefits are indexed to the Consumer Price Index, with an annual adjustment limited to the lesser of 100 percent of the Consumer Price Index or 3 percent. Members' contributions are credited interest at 90 percent of the average 91 day United States Treasury Bill rate for the immediately preceding calendar year subject to a maximum of 10 percent and a minimum of 5 percent per annum. If a member leaves covered employment before five years of credited service, accumulated member contributions plus related interest earnings are refunded to the member. At June 30, 1987, the liability attributable to members' contributions and earned interest and included in net assets available for benefits was $246,634,000.

Deferred employer contributions: The SDRS allows the participating entities to repay their deferred contributions over periods of five to twenty years. The entities are charged interest at rates of 3.5 percent to 7 percent. Future payments will be received as follows:

Year Ending June 30:	
1988	$ 421,136
1989	413,364
1990	413,364
1991	413,364
1992	413,364
Thereafter	1,807,480
Total	3,882,072
Less Amount Representing Interest	868,552
Deferred Employer Contributions Receivable at June 30, 1987	$3,013,520

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparisons of this data among public employee retirement systems. The measure is independent of the actuarial funding methods used to determine the adequacy of contributions to the SDRS, discussed below. The SDRS does not make separate measurements of assets and pension benefit obligation for individual employers.

The June 30, 1987 pension benefit obligation was determined by updating the actuarial valuation prepared as of June 30, 1986. An update includes adjustments for service, salary and cost of living increases, but assumes experience was as expected at the last valuation, rather than looking at actual experience for the year. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7 percent per year compounded annually plus prefunding of improvement factor, b) projected cost-of-living increases of 4 percent and wage base increases of 5.5 percent per year compounded annually, c) post retirement benefit increases of 3 percent per year compounded annually and d) active participant experience.

The pension benefit obligation at June 30, 1987 is shown below:

Pension Benefit Obligation:	
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Not Yet Receiving Benefits	$ 274,697,534
Current Employees:	
Accumulated Employee Contributions Including Allocated Investment Income	246,634,000
Employer-Financed Vested	343,790,870
Employer-Financed Non-Vested	38,422,579
Total Pension Benefit Obligation	$ 903,544,983
Net Assets Available for Benefits	$1,087,985,240
Net Assets Available for Benefits (Net of Actuarial Adjustment of Asset Market Value)	$ 875,631,673
Unfunded Pension Obligation	$ (27,913,310)

Contributions: The SDRS funding policy provides for periodic member and employer contributions at a rate established by law.

On a biennial basis, an actuary determines that the combined member-employer contributions are adequate to pay normal cost and expenses and to amortize the unfunded actuarial accrued liability over a period of time using the entry age actuarial funding method. The June 30, 1986 valuation of the plan determined that the contribution rate was sufficient to pay normal costs and expenses and to amortize the unfunded actuarial accrued liability over a covered payroll.

Contributions during fiscal 1987 totaling $55,181,890 ($27,505,485 employer and $27,676,405 employee) were made in accordance with statutory rates. These contributions represent 10.491 percent of current year covered payroll for all particpating units.

Significant actuarial assumptions used to determine the adequacy of the level of contributions are the same as those used to compute the standardized measure of the pension obligations discussed above. The actuarial value of assets is used to determine the long-term funding of the plan.

Historical Trend Information: Ten-year historical trend information is not available due to the transition in financial reporting by the SDRS. All available information is disclosed below.

Fiscal Year	(In Millions) 1986	1987
1. Net Assets Available for Benefits	$742.1	$875.7
2. Pension Benefit Obligation	$820.2	$903.6
3. Percentage Funded (1)/(2)	90.5%	96.9%
4. Unfunded (Assets in Excess of) Pension Benefit Obligation	$ (78.1)	$ (27.9)
5. Annual Covered Payroll	$481.5	$500.2

6. Unfunded (Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)	(16.2)%	(5.6)%

Department of Labor Employment Security Retirement Plan

Employees of the Department of Labor hired prior to July 1, 1980, had the option to become a member of the SDRS or maintain membership in the Employment Security Retirement Plan. The Employment Security Retirement Plan is funded through a private insurance carrier. The status of the assets and liabilities as of March 18, 1987 was as follows:

Assets (at Market Value)	
Fixed Income Funds	$20,248,208
Money Market Fund	1,267,000
General Investment Fund	9,003,742
Present Value of Future Employee Contributions	1,941,546
Total Assets	$32,460,496
Liabilities	
Annuity Premium for Retired Plan	$ 9,589,926
Present Value of Projected Benefits for Active Participants	12,496,675
Present Value of Projected Benefits for Vested Terminations	348,390
Present Value of Future Cost of Living for Retirees	1,608,322
Total Liabilities	$24,043,313
Assets in Excess of Projected Plan	$ 8,417,183

Actuarial Assumptions for determining liabilities were 7½ percent return on asset investments, 5 percent average annual salary increase, and 2 percent annual cost of living increase for retirees. Participating employees contribute 7 percent of their salary to the plan while no payments were made by the South Dakota Department of Labor for the fiscal years ended June 30, 1986 and 1987.

As shown above, assets exceeded actuarially determined liabilities by $8,417,183. The existing plan was spun off into two separate plans: a retired life plan under which annuities were purchased for all retirees, and the establishment of an actuarially determined active member plan. Upon securing member benefits, excess assets totaling $6,048,177 were refunded to the Department of Labor and deposited with the State of South Dakota to be used by the South Dakota Department of Labor to supplement ongoing grant programs.

6. COMMITMENTS

Construction and Other Commitments: At June 30, 1987 the Department of Transportation had contractual construction commitments of $58,079,531 for various highway projects. Other contractual commitments totalled $8,051,802. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Building Authority has contractual commitments as shown below:

Gymnasium - Auditorium (Yankton)	$ 16,302
Physical Education Center (Rapid City)	2,489
Science Center Addition (Vermillion)	20,056
Library (Brookings)	45,726
Food Service Facility (Redfield)	327
Feed Processing Unit (Brookings)	11
Law School Building (Vermillion)	200,306
Pharmacy Addition (Brookings)	(220)
Horticulture Building (Brookings)	20,605
Home Management Laboratory (Brookings)	2,388
Tree Storage Building (Watertown)	5,221
New Armory - Phase II (Vermillion)	16,654
Fish Hatchery (Waubay)	152
Joseph Barnett Physical Education Complex (Aberdeen)	969,874
Kennedy Hall Classroom (Madison)	97,733
Physical Education Facility (Spearfish)	3,000
Cultural Heritage Center (Pierre)	5,194,915
Classroom Building (Rapid City)	3,395,187
W. H. Over Museum (Vermillion)	570,129
Barnett Facility Parking Lot (Aberdeen)	65,275
Other Projects	6,507,872
Total	$17,134,002

7. SELF-INSURANCE

The state is uninsured for property losses.

The state is self-insured for workmen's compensation through the creation of reserves derived from a percentage of wages paid to state employees.

The state is self-insured for automobile liability claims through collections from each state agency which are deposited in an agency fund. At June 30, 1987 liabilities of $40,420 existed. The fund has a maximum pay out of $5,000 per claim. At June 30, 1987 two cases sought damages for greater than the $5,000.

For those cases where damages are sought in excess of $5,000 the claimant must go to court and have the judge determine if the claim is legitimate and that the state is clearly at fault. If the claimant has a valid claim, the claim is given to the Governor to send to the Legislature. The Legislature makes the final decision of whether or not the claim will be paid and from which fund the claim will be paid. For the two claims noted above, $79,335 will be submitted to the Legislature for appropriation.

The state claims sovereign immunity for all other tort liabilities.

8. CAPITAL LEASES

The state has entered into various agreements to lease equipment. FASB Statement No. 13, "Accounting For Leases," requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations for the proprietary funds are reported in those funds along with the related assets. Long-term capital leases for the governmental funds are reported in the general long-term debt account group and the related assets are reported in the general fixed assets account group. Capital leases for higher education are reported as an obligation in the Investment in Plant Funds along with the related assets.

The following schedule is a summary of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1987 (expressed in thousands):

Fiscal Year Ending June 30,	Governmental Funds	Proprietary Funds	Higher Education
1988	$ 316	$ 1,667	$ 401
1989	275	1,653	206
1990	231	1,370	148
1991	67	247	63
1992		28	2
Thereafter		27	
Total Minimum Lease Payments	$ 889	$ 4,992	$ 820
Less:			
Amount Representing Interest	231	415	136
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	$ 658	$ 4,577	$ 684

9. OPERATING LEASES

The State of South Dakota has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the state may renew the operating leases at the expiration date of the lease on a year-to-year basis. In most cases management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature.

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 1987:

Fiscal Year Ending June 30,	Amount
1988	$ 2,607,220
1989	2,203,935
1990	1,931,437
1991	1,594,684
1992	1,349,858
Thereafter	13,699,887
TOTAL MINIMUM PAYMENTS	$23,387,021

The total rental expenses for all operating leases for the fiscal year ending June 30, 1987 was $3,211,096.

10. LONG-TERM DEBT

Long-term debt in the form of bonds, notes, certificates of participation and other obligations are issued by the Building Authority, Housing Development Authority, Health and Educational Facilities Authority and by Higher Education. The following is the changes in bonds, notes, certificates of participation and other obligations payable (expressed in thousands):

	Issue Dates	Percent Interest Rates	Maturity Dates Through	Balance July 1, 1986	Additions	Reductions	Balance June 30, 1987
Enterprise Funds							
Revenue Bonds Payable from User Charges							
Housing Development Authority	1977-1987	4.25-11.75	2022	$1,026,612	$194,602	$190,951	$1,030,263
Health and Educational Facilities Authority	1973-1985	4.94-13.25	2015	232,064	13,141	17,770	227,435
Total Revenue Bonds				1,258,676	207,743	208,721	1,257,698
Notes Payable	1984-1986	6.68-9.5	1993	7,732	55,135	1,112	61,755
Total Enterprise Funds				1,266,408	262,878	209,833	1,319,453
General Long-Term Debt							
Bonds Payable from Taxes and License Fees							
Building Authority Bonds	1981-1987	4.4-10.625	2005	4,131	5,500	3	9,628
University of South Dakota Springfield	1970	7.25-7.9	2000	820	0	40	780
Total Bonds				4,951	5,500	43	10,408
Building Authority Certificates of Participation	1986	4.4-7.5	2016	0	187,820	0	187,820
Total General Long-Term Debt				4,951	193,320	43	198,228
Higher Education							
Revenue Bonds Payable From User Charges							
Building Authority	1974-1985	7.25-10.625	2005	24,742	0	0	24,742
Higher Education Facilities	1961-1980	2.75-8.9	2018	16,734	0	1,323	15,411
Total Bonds Payable				41,476	0	1,323	40,153
Notes Payable				48	0	0	48
Total Higher Education				41,524	0	1,323	40,201
TOTAL				$1,312,883	$456,198	$211,199	$1,557,882

A. Building Authority:

The Building Authority issues bonds or other obligations to finance the cost to acquire, construct, remodel, maintain and equip buildings and other facilities of state departments and institutions. Bonds are payable solely and only from revenues derived from the operations of facilities financed and income derived from rental leases to state departments, boards, commissions or other agencies. The indebtedness, bonds or obligations incurred or created by the Building Authority may not be or become a lien, charge or liability against the State of South Dakota. The State Legislature appropriates general, special revenue and higher education funds to make lease payments to the Building Authority. The bonds used to finance buildings leased by state departments and institutions are reported in the capital projects and debt service funds and the general long-term debt account group. The bonds used to finance buildings leased by Higher Education are reported in the higher education column. This financial presentation does not change the legal liability of the bonds.

During fiscal year 1987, the Building Authority caused to be issued, $187,820,000 aggregate principal amount of certificates of participation, 1986 Series A and 1986 Series B. The proceeds from the certificates of participation were paid to the Authority in exchange for the right, title and interest in certain state buildings. The net proceeds of the Series A certificates were used to purchase an annuity contract which is held by a trustee. Proceeds from the annuity contract held by the trustee will be deposited into the General Fund on each June 1 and December 1, commencing December 1, 1987, and ending on December 1, 2016. The semi-annual payments to be received under the annuity contract will be approximately equal to the installment purchase payments payable under the installment purchase agreements. A portion of the proceeds from the Series B certificate was used for construction improvements to certain state buildings and facilities and $2,000,000 of the proceeds was used to create an Annuity Contract Contingency Fund to offset unanticipated fluctuations in the annuity payments. Upon payment of the certificates or at December 31, 2036, whichever occurs earlier, the unencumbered title to the buildings will revert to the state.

Following are Building Authority bonds and certificates of participation outstanding at June 30, 1987 (expressed in thousands):

Issue	General Long-Term Debt Account Group	Higher Education
Series 1981	$	$ 85
Series 1984 Revenue Refunding	4,128	17,742
Series 1985		6,915
Certificates of Paticipation:		
Series A	175,000	
Series B	12,820	
1987 Revenue	5,500	
TOTAL	$197,448	$24,742

Following is a schedule of future payments remaining at June 30, 1987 (expressed in thousands):

Year Ending June 30,	General Long-Term Debt Account Group	Higher Education
1988	$ 6,100	$ 3
1989	6,395	3
1990	6,560	4
1991	6,715	4
1992	6,865	1,975
Thereafter	164,813	22,753
TOTAL	$197,448	$24,742

Refunded Bonds

The Building Authority has entered into refunding transactions whereby refunding bonds have been issued to facilitate defeasance of the Authority's obligation with respect to certain bond issues. The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the issues being refunded. Refunded bonds and the related assets held in the trust are not included in the accompanying financial statements since the Authority has satisfied its obligation with respect thereto through consummation of the refunding transactions. Any gain or loss on refundings is recognized in the period in which the refunding occurs. A summary of the bond issues defeased is as follows:

Bond Issues Refinanced	Year Defeased	Amount Defeased (At June 30, 1987)
Series of September, 1970	1975	$1,115,000
Series of July, 1971	1975	945,000
Series of January, 1975	1975	1,730,000
Series of June, 1975		
Series A	1975	3,845,000
Series B	1975	3,105,000
Series of April, 1976	1978	1,520,000
Series of June, 1976	1978	3,935,000
Series of July, 1977	1978	490,000
Series of January, 1978	1978	240,000

B. Higher Education:

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from income and revenues pledged and assigned and do not constitute a debt, legal or moral, of the State of South Dakota.

Revenue bonds outstanding at June 30, 1987 (expressed in thousands):

Issue	
School of Mines and Technology:	
1964 Dormitory Revenue Bonds	$ 46
1973 Series A	172
1973 Series B	147
1973 Series C	554
1973 Series D	625
University of South Dakota:	
1967 Dormitory Revenue Bonds	300
1974 Revenue Refunding	2,693
1980 Series G Student Union Addition	195
South Dakota State University:	
1971 Series	1,585
1972 Revenue Refunding	5,503
Northern State College:	
1984 Series G	960
Dakota State College:	
1984 Revenue Refunding	1,732
Black Hills State College:	
1961 Series B	387
1965 Series C	310
1968 Series D	202
TOTAL	$15,411

Following is a schedule of future bond payments remaining at June 30, 1987 (expressed in thousands):

Year Ending June 30,	Total Debt
1988	$ 740
1989	763
1990	795
1991	805
1992	788
Thereafter	11,520
TOTAL	$15,411

Revenue bonds were issued for projects at the former University of South Dakota/Springfield (USD/S). Since USD/S was converted to a minimum security prison, bond payments have been made from income of the bond sinking fund and from the General Fund. Therefore, these bonds are reported in the general long-term debt account group.

Following are the bonds outstanding of the former USD/S at June 30, 1987 (expressed in thousands):

Crawford Hall-Project 71	$740
Married Student Housing	40
TOTAL	$780

Following is a schedule of future bond payments of the former University of South Dakota/Springfield at June 30, 1987 (expressed in thousands):

Year Ending June 30,	General Long-Term Debt Account Group
1988	$ 40
1989	45
1990	45
1991	50
1992	40
Thereafter	560
TOTAL	$780

C. Health and Educational Facilities Authority:

The Health and Educational Facilities Authority provides capital financing for non-profit health and educational institutions within the state. The Authority issues tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of constructing, equipping and improving facilities or for refinancing outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the State of South Dakota. This debt represents special obligations of the Authority and is payable solely from the payments received from each project and program.

Following is a schedule of bonds, notes and other obligations outstanding at June 30, 1987 (expressed in thousands):

	Maturity Date	Percent Interest Rate	Amount
Equipment Financing and Pooled Loan Program:			
Equipment Financing Program	December 1, 1988	7.75-8.00	$ 6,945
Pooled Loan Program	July 1, 1992	5.60-7.50	45,000
TOTAL EQUIPMENT FINANCING AND POOLED LOAN PROGRAM			51,945
Bonds:			
St. Joseph's Hospital:			
Series 1973 A	July 1, 2002	5.70-5.95	1,600
Series 1973 B	July 1, 1997	4.94	460
Sioux Valley Hospital:			
Series 1976	November 1, 2007	5.90-7.25	22,605
Series 1982	November 1, 1992	(1)	9,605
St. Luke's Hospital	October 1, 2007	5.80-6.80	6,495
Maryhouse Nursing Home:			
Series 1977 A	July-1, 1991	6.50	80
Series 1977 B	July 1, 2001	5.67	525
Pioneer Memorial Hospital:			
Series 1977	January 1, 1996	6.875-7.00	195
Series 1984	January 1, 1999	8.25-10.75	180
St. Mary's Hospital:	July 1, 2009	6.70-7.50	5,785
Crippled Children's Hospital and School:			
Series 1979	July 1, 2009	6.10-7.10	4,875
Series 1981 A	July 1, 1988	10.00	100
Series 1981 B	July 1, 1988	10.00	100
Western Dakota Vocational Technical Foundation	June 1, 1997	12.00-13.25	340
Rushmore National Health System, Inc. Rapid City Regional Hospital	September 1, 2014	7.50-10.25	36,450
Black Hills Rehabilitation Hospital	September 1, 2004	7.50-10.125	4,715
McKennan Hospital:			
Series 1985 A	July 1, 2015	6.25-9.625	40,520
Series 1985 B	July 1, 2015	5.75-9.20	11,120
Northeastern Mental Health Center	November 1, 1995	9.00	600
Sacred Heart Hospital	December 1, 1995	6.75-8.25	14,925
Sioux Falls College	November 1, 1991	5.00-5.75	1,225
Westhills Village Retirement Community	August 15, 2012	(2)	10,550
Bethany Lutheran Home	April 1, 1997	5.25-7.10	1,190
TOTAL BONDS			174,240
Non-Trustee Bonds and Notes:			
	Issue Date		
St. Mary's Hospital, Equipment	August, 1980	7.50	199
Crippled Children's Hospital and School Equipment	July, 1983	8.75	41
Platte Community Memorial Hospital, Equipment	September, 1983	9.25	31

St. Michael's Hospital, Equipment	September, 1983	9.75	111
St. Benedict Hospital, Equipment	September, 1983	9.75	78
United Cerebral Palsy, Sioux Falls, Equipment, Renovation, and Refinancing	January, 1985	9.50	389
St. Joseph's Hospital, Equipment	August, 1986	7.50	400
TOTAL NON-TRUSTEE BONDS AND NOTES			1,249
Notes Payable:			-
School District Note Program Series 1986 (3)			55,135
Promissory Note, Health Education Assistance Loan Program 1984 Issue (4)			5,844
9 Percent Note Payable to Bank, due in semi-annual payments of $44,698, including interest to October 1, 1990, collateralized by a certificate of deposit			776
TOTAL NOTES PAYABLE			61,755
TOTAL DEBT			$289,189

(1) Interest rate will be periodically adjusted to equal the average discount rate for 91 day U.S. Treasury Bills. At no time will the interest rate exceed 12 percent.

(2) Interest rate is stated at 6.375 percent per annum to August 15, 1993 and thereafter at a rate not less than 9.00 percent per annum.

(3) The School District Tax Anticipation Promissory Note Program, series 1986 in the amount of $55,135,000, bears interest at the rate of 6.68 percent and is due on December 30, 1988.

(4) The promissory note of the Health Education Assistance Loan Program (1984 Issue), in the amount of $5,843,704, bears interest at the rate of 9.5 percent. Interest is compounded semi-annually and is due at the time the principal is due on January 1, 1993. The security for the note consists of all insured loans originated by the Authority with the proceeds of the note and all other cash and investments held by the Authority for the Health Education Assistance Loan Program (1984 Issue).

The bonds of the Authority are collateralized by first mortgages on the physical property financed, mortgage payments received by the Authority from the institutions, first liens on the personal property financed, the Authority's assignment of its security interest in the mortgaged properties to the trustees of the bond issues and for certain institutions assigned leases and cash and securities held by the institution in restricted accounts.

During the year, Sioux Valley Hospital prepaid Series 1984 Bonds in the amount of $10,000,000.

Following is a schedule of future bond, notes and other obligation payments remaining at June 30, 1987 (expressed in thousands):

Year Ending June 30,	
1988	$ 10,668
1989	70,305
1990	11,642
1991	13,621
1992	13,810
Thereafter	169,143
TOTAL	$289,189

Extinguishment of Debt:

The Authority has deposited assets in various trusts which are sufficient to pay principal and interest obligations on the bond issues listed below. The bonds are considered to be extinguished for financial reporting purposes and, accordingly, the bonds together with the funds held in trust are not reported in the accompanying financial statements.

Project	Date of Advance Refund	Series Refunded	Amount
McKennan Hospital	July, 1978	Series 1973 A	$12,430,000
		Series 1973 B	945,000
		Series 1976 C	125,000
Augustana College	February, 1982	Series 1972 A	225,000
Rapid City Regional Hospital	March, 1984	Series 1976	19,905,000
		Series 1982	18,255,000
McKennan Hospital	February, 1985	Series 1981	36,770,000
McKennan Hospital	May, 1985	Series 1978	12,655,000
Health Education Assistance Loan Program	October, 1985	Series 1982	4,425,000
Sacred Heart Hospital	December, 1985	Series 1980	14,465,000
Augustana College	June 30, 1987	Series 1983	2,200,000

Reserves:

The bond indentures provide that certain reserve accounts be established for programs and institutions. The balances as of June 30, 1987 were as follows:

	Required Balance	Actual Balance	Excess
Debt Service Reserve (1)	$25,394,332	$28,345,634	$2,951,302
Project Reserve (2)	279,264	477,989	198,725
TOTAL	$25,673,596	$28,823,623	$3,150,027

(1) The debt service reserve contains funds held by the trustee with a required balance equal to the amount necessary to pay the largest debt service in the event the institution or enterprise fund is unable to meet payments. At June 30, 1987, all institutions were in compliance with the debt service requirements except for one institution that was under the required balance by $3,012. The Authority maintains cash and investments in restricted accounts equal to the balances reported above.

(2) The project reserve contains funds held by the trustee for repair or reconstruction of the project facility in the event of disaster. On June 30, 1987, all institutions were in compliance with respect to maintaining the required

balances. The Authority maintains cash and investments in restricted accounts equal to the balances reported above.

D. Housing Development Authority:

The Housing Development Authority provides mortgage financing for construction, rehabilitation and purchase of residential housing and to assist in coordinating with federal, state, regional and local public and private efforts with statewide housing planning. The Authority is authorized to issue negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the Authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the state. These notes and bonds are payable solely from the revenues or assets of the Authority.

Bonds Payable:

Home Ownership Mortgage Program Bonds require annual principal payments on May 1 of each year. Home Ownership Mortgage Bonds outstanding at June 30, 1987 were (expressed in thousands):

Issue	Interest Rates	Scheduled (1) Maturity Through	Principal Amount 1987
1977 Series A:			
Serial Bonds	5.15% to 5.6%	1993	$ 20,805
Term Bonds	6.125%	2008	31,810
			52,615
1978 Series A:			
Serial Bonds	5.0% to 5.4%	1993	10,205
Term Bonds	5.9%	2009	14,365
			24,570
1978 Series B:			
Serial Bonds	5.75% to 6.4%	1997	23,175
Term Bonds	6.75%	2009	13,325
			36,500
1979 Series A:			
Serial Bonds	6.0% to 6.9%	1999	67,540
Term Bonds	7.1%	2010	30,860
			98,400
1980 Series A:			
Serial Bonds	8.85% to 9.4%	1993	10,500
Term Bonds	10.0% to 10.25%	2011	27,500
			38,000
1980 Series B:			
Serial Bonds	6.25% to 7.75%	1995	24,000
Term Bonds	8.25% to 8.5%	2011	14,000
			38,000
1983 Series A:			
Serial Bonds	7.0% to 8.75%	1993	8,500
Term Bonds	9.5%	1998	11,175
Capital Accumulator Bonds	10.254%	2014	4,941
Accredited Interest			2,439
			27,055

Issue	Interest Rates	Scheduled (1) Maturity Through	Principal Amount 1987
1983 Series B:			
Serial Bonds	7.9% to 8.25%	1991	4,545
Term Bonds	9.125%	1995	20,000
Less Unamortized Discount			(64)
			24,481
1983 Series C:			
Serial Bonds	7.75% to 9.1%	1992	14,070
Term Bonds	9.75% to 10.0%	2003	48,425
Capital Accumulator Bonds	10.421%	2014	6,765
Accredited Interest			3,135
			72,395
1983 Series D:			
Serial Bonds	7.75% to 9.8%	1998	5,185
Term Bonds	9.5%	1995	2,060
Capital Accumulator Bonds	10.418%	2008	1,458
Accredited Interest			675
			9,378
1983 Series E:			
Serial Bonds	7.5% to 9.5%	1994	17,615
Term Bonds	9.875% to 10.125%	2000	26,710
Capital Accumulator Bonds	10.63%	2015	10,229
Accredited Interest			4,352
			58,906
1983 Series F:			
Serial Bonds	7.5% to 9.5%	1994	1,045
Term Bonds	9.875% to 10.125%	2000	1,575
Capital Accumulator Bonds	10.614%	2008	346
Accredited Interest			147
			3,113
1984 Series A:			
Serial Bonds	8.0% to 9.0%	1991	10,350
Term Bonds	9.75%	2004	46,460
Capital Accumulator Bonds	11.75%	2016	6,367
Accredited Interest			2,064
			65,241
1984 Series B:			
Serial Bonds	7.6% to 8.75%	1991	6,470
Term Bonds	9.625%	2004	27,875
Capital Accumulator Bonds	11.4%	2016	4,199
Accredited Interest			1,314
			39,858
1985 Series A:			
Serial Bonds	4.8% to 6.875%	2000	29,485
Term Bonds	7.3% to 7.5%	2011	67,150
			96,635

Issue	Interest Rates	Scheduled (1) Maturity Through	Principal Amount 1987
1985 Series B:			
Term Bonds	8.45%	2010	13,160
1986 Series A:			
Serial Bonds	5.3% to 7.6%	2001	45,765
Term Bonds	7.75% to 7.8%	2006	10,250
Less Unamortized Discount			(424)
			55,591
1986 Series C:			
Serial Bond	5.25% to 7.9%	2000	24,960
Capital Accumulator Bonds	8.875%	2005	1,965
Accredited Interest			130
Term Bonds	7.625% to 8.25%	2017	51,720
Less Unamortized Discount			(303)
			78,472
1986 Series D:	(2) 4.25%	Optional Tender November 2, 1987, Otherwise 2016	40,235
1987 Series A:	(2) 5.375%	Optional Tender April 5, 1988, Otherwise 2019	70,000
TOTAL HOME OWNERSHIP MORTGAGE PROGRAM			$942,605

(1) Term and capital accumulator bonds are subject to mandatory redemption from mandatory sinking fund installments.

(2) Fixed interest rate will be determined at tender option date.

Multifamily housing trust bonds require annual principal payments on April 1 of each year. Multifamily housing trust bonds outstanding at June 30, 1987 were (expressed in thousands):

Issue	Interest Rates	Scheduled (1) Maturity Through	Principal Amount 1987
1977 Series A:			
Serial Bonds	5.0% to 5.75%	1997	$ 1,790
Term Bonds	6.0%	2019	10,120
			11,910
1978 Series A:			
Serial Bonds	5.4% to 6.4%	1998	2,910
Term Bonds	6.7%	2020	17,410
			20,320
1979 Series A:			
Serial Bonds	7.0% to 7.8%	1999	1,745
Term Bonds	8.25% to 8.375%	2022	13,455
			15,200
1980 Series A:			
Serial Bonds	7.85% to 9.3%	2000	2,145
Term Bonds	9.5%	2022	11,510
			13,655

Issue	Interest Rates	Scheduled (1) Maturity Through	Principal Amount 1987
1982 Series A:			
Serial Bonds	10.75% to 13.0%	1995	835
Term Bonds	13.5%	2022	12,530
Less Unamortized Discount			(7)
			13,358
TOTAL MULTIFAMILY TRUST			$ 74,443

(1) Term Bonds are subject to mandatory redemption from mandatory sinking fund installments.

	Aggregate Principal Amount 1987
FNMA Guaranteed Mortgage Certificate Program (expressed in thousands):	
1985 Series A:	
Term Bonds, 9.25 percent interest, maturing on April 1, 1998, subject to mandatory redemption in part annually from April 1, 1989 from mandatory sinking fund installments	$6,215
Multifamily Housing Revenue Bonds (expressed in thousands):	
1985 Series A:	
Term Bonds, variable interest rate determined by remarketing agent (4.29 percent at June 30, 1987) until the option for conversion of the interest rate to a fixed interest rate is elected, maturing on December 1, 2015, subject to mandatory redemption in part annually from December 1, 1991 from mandatory sinking fund installments	$7,000

Interest for bonds in all programs is payable semiannually except for the capital accumulator bonds in Home Ownership Mortgage Program, 1983 Series A, C, D, E and F, 1984 Series A and B, and 1986 Series C. All current interest bonds are subject to optional redemption at various dates at prices ranging from 100 to 103. All capital accumulator bonds are subject to redemption at compounded value. The assets and revenues of the above funds are pledged as collateral for the payment of principal and interest on their respective bonds.

Interest on the capital accumulator bonds is paid at maturity. Each bond had an original principal amount ranging from $137.65 to $982.60 at the date of sale and matures at $5,000. The total amount payable at maturity for the capital accumulator bonds is $929,545,000.

Interest earned on capital accumulator bonds is capitalized on May 1 and November 1 of each year. The interest earned on these bonds for the period May 1 to June 30 of $903,324 is included in accrued interest payable at June 30, 1987.

Following is a schedule of future notes and bond payments remaining at June 30, 1987 (expressed in thousands):

Year Ending June 30,	
1988	$ 36,555
1989	36,965
1990	39,380
1991	40,555
1992	34,850
Thereafter	841,958
TOTAL	$1,030,263

The Authority requires multifamily projects to escrow funds with the Authority to cover certain future expenditures. The Authority pays interest on the various escrows and reserves based upon actual interest earned on these funds when invested. Interest earned on certain of the escrows is remitted on an annual basis and interest earned on other escrow and reserve accounts is paid quarterly. The escrow payable at June 30, 1987 was $13,991,875.

At June 30, 1987, commitments to purchase home-ownership mortgage loans from lending institutions was $65,338,379.

Refunded Bonds

In July 1977, the Authority issued home ownership mortgage bonds, 1977 Series A, for the purpose of refunding its then outstanding Single Family housing bonds. A portion of the proceeds of the refunding issue was deposited with a trustee with instructions to purchase certain investments, the principal of and interest on which will be sufficient to pay the principal, interest and call premium of the bonds being refunded. The Authority is amortizing the excess of the amount escrowed over the net carrying amount of the bonds (approximately $5,100,000) to expense over the remaining term of the bonds refunded. The last payment on the defeased debt was made November 1, 1986.

During fiscal year 1987 the Authority issued homeownership mortgage bond series 1986 C, 1986 D, and 1987 A. Proceeds from these new issues were used to partially and fully refund certain previous bond issues. Unused proceeds, prepayments and maturing principal from previous bond issues were also used for refunding. In connection with these advance refundings the Authority wrote off deferred financing costs of $2,991,947 during fiscal year 1987.

11. INTERFUND RECEIVABLES/PAYABLES

The following represents interfund receivable and payable balances for all funds at June 30, 1987. Amounts to be paid or received within one year are reported as due to or from other funds whereas non-current portions are reported as advances from or advances to other funds (expressed in thousands).

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
General Fund	$ 44,649	$	$ 1,051	$
Special Revenue Funds:				
Department of Water and Natural Resources - Federal Fund			17	
Social Services - Federal Fund			211	
Labor - Federal Fund			74	
Vocational Rehabilitation - Federal Fund			65	
Health - Federal Fund			112	
Department of Education and Cultural Affairs - Federal Fund			46	
Transportation Fund	4,494	1,092	575	
Aeronautics Fund	189		450	
Railroads Fund	31		27	1,092
Rural Rehabilitation Fund	417		6	
Water Facilities Construction Fund	422			
Game and Fish Fund	347		45	
Motor Vehicle Fund	77		107	
Energy Conservation Fund	791			
Other	917		339	
Total Special Revenue Funds	7,685	1,092	2,074	1,092
Capital Project Funds:				
Building Authority Fund	354			
State Historical Building Fund	11			
Total Capital Project Funds	365	-0-	-0-	-0-
Debt Service Funds:				
Building Authority Fund	38	-0-	-0-	-0-
Enterprise Funds:				
Cement Plant Fund	2,983		1	
Lottery Operating Fund	14		1,522	
Other	88		31	
Total Enterprise Funds	3,085	-0-	1,554	-0-
Internal Service Funds:				
Central Data Processing Fund	424		82	
Telecommunications Fund	585		16	
Postal Service Fund	143			
Central Duplicating Fund	139		23	
Travel Commission Fund	161		16	
Budgetary Accounting - Payroll - Treasurer - Auditor Fund	426		102	

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
Buildings and Grounds Fund	$ 471	$	$ 14	$
Personnel - Labor Management Fund	187		10	
Other	112		16	
Total Internal Service Funds	2,648	-0-	279	-0-
Trust and Agency Funds:				
Expendable Trust Funds:				
Worker's Compensation Fund	51		8	
Unemployment Compensation Fund			51	
Attorney General Antitrust Litigation Fund	81			
Oahe Conservancy Sub-District Fund	34			
Public Entity Liability Pool Fund	62			
Other	105		1	
Total Expendable Trust Funds	333	-0-	60	-0-
Non-Expendable Trust Funds:				
School and Public Lands - Permanent Fund	218			
Conservancy Sub-District Fund	12			
Total Non-Expendable Trust Funds	230	-0-	-0-	-0-
Pension Trust Fund		2,037	284	
Agency Funds	2,409		56,595	
Total Trust and Agency Funds	2,972	2,037	56,939	-0-
Higher Education	1,456	-0-	1,001	2,037
TOTAL INTERFUND RECEIVABLES AND PAYABLES	$ 62,898	$ 3,129	$ 62,898	$ 3,129

12. CONTINGENCIES AND LITIGATION

The State of South Dakota participates in a number of federally-assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state.

The State of South Dakota is party to numerous legal proceedings, many which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could result in liabilities to the state. Based on prior experience it is unlikely that the outcome of these claims will materially affect the financial position of the state.

The following are specific cases involving potentially material litigations:

A. Candee Construction Co. v. Department of Transportation et al. This case alleges that construction work performed by the plaintiff was in excess of the original contract. A claim has been submitted for costs and damages of approximately $10,000,000. A trial date has been set for January 23, 1989. The Department of Transportation plans to vigorously defend the litigation. The ultimate outcome of this case is unknown.

B. South Dakota et al. v. Kansas City Southern et al. This case involved a conspiracy by the railroads to prevent the completion of the Energy Transportation Systems Incorporated (ETSI) Coal Slurry Pipeline by opposing water, environmental and easement permits. The state had a contract with ETSI to provide Missouri River water for the pipeline. Violations of federal and state antitrust laws and/or tortious interference with a contract or business were claimed. On April 12, 1988, judgment was entered in favor of the state on both the antitrust and tortious interference counts. The state has the option of accepting either the antitrust judgment at $200,000,000 which is automatically trebled to $600,000,000 or the tort judgment at $244,200,000. It is anticipated that the defendants will appeal this decision to the Eighth Circuit Court of Appeals.

Worker's Compensation Claims

The Worker's Compensation Fund has the following commitments at June 30, 1987:

	Number of Claimants	Weekly Benefits	Payments Remaining
Permanent partial disability - benefits are paid weekly up to a predetermined amount	10	$ 1,168	$ 44,814
Temporary total and temporary partial disability - benefits are paid weekly for an unspecified period of time	26	3,748	Unknown
Permanent total disability - benefits are paid weekly for the life of the claimant	17	1,585	Unknown

Employment Security Retirement Fund

The South Dakota Department of Labor removed excess funds totaling $6,048,177 from the South Dakota Department of Labor Employment Security Retirement Plan with the understanding that such funds could be used to supplement ongoing programs. At June 30, 1987, the U. S. Department of Labor has expressed the position that an overpayment of federal grant funds has occurred and the excess funds along with the earnings be returned to the U. S. Department of Labor. Further, a committee representing participating plan employees and retirees has retained legal counsel and requested the South Dakota Department of Labor to return the excess funds to the retirement plan. Asserted claims related to the above matter are in preliminary stages and the ultimate outcome of this matter is not determinable at this time.

13. DESIGNATED RETAINED EARNINGS

Special subaccounts of the General Fund at the Housing Development Authority established as part of the General Reserve Account on the basis of specified guidelines are as follows at June 30 (expressed in thousands):

	1987
Bond and note reserve	$2,543
Program operations reserve	1,921
Special programs reserve	1,077
	$5,541

14. SEGMENT INFORMATION: ENTERPRISE FUNDS

The state has four major enterprise funds which provide for low-interest housing loans, cement production and sales, operating the State Fair, and low interest loans to hospitals and schools.

Selected financial information by enterprise fund segment is as follows (expressed in thousands):

	Housing Authority	Cement Plant	State Fair	Health and Educational Facility Authority	Other	Total Enterprise Funds
Operating Revenues	$ 96,189	$32,161	$1,208	$ 23,945	$ 2,471	$ 154,964
Depreciation, Depletion and Amortization	1,561	3,461	130		903	6,055
Operating Income (Loss)	8,541	9,651	(244)	289	52	17,289
Operating Transfers In			150		44	194
Out					45	45
Net Income (Loss)	9,549	10,340	(75)	289	464	16,567
Current Capital Transfers		(33,000)	72			(32,928)
Plant, Property & Equipment Additions	20	2,792	419		8	2,639
Deletions	9		332			341
Net Increase (Decrease) in Cash and Temporary Investments	(34,996)	(17,523)	(357)	(7,942)	1,746	(59,072)
Total Assets	$1,157,260	$66,358	$3,507	$ 332,006	$ 8,421	$1,567,552
Total Equity	$ 99,124	$62,788	$3,114	$ 1,083	$39,990	$ 206,099

15. SUBSEQUENT EVENTS

On July 17, 1987, the Building Authority issued $12,665,000 of revenue refunding bonds, Series 1987 B for the purpose of refunding its Series 1984 and Series 1985 bonds. The proceeds of the bond issue (net of issuance including underwriter discount) together with existing debt service reserves were placed in a trust for the payment of the Series 1984 and Series 1985 bonds. The amounts placed in Trust plus the securities to be purchased through 1990 by the Authority under a Security Purchases Agreement will be sufficient to repay the related bonds. The debt will not be considered to be defeased for accounting purposes until such time as all of the qualified government securities have been acquired and placed in trust.

In August 1987, the Housing Development Authority issued $35,000,000 of Homeownership Mortgage Bonds, 1987 Series B and $42,525,000 of Homeownership Mortgage Bonds, 1987 Series C. The 1987 Series B provided funds for the refunding of $35,000,000 of Homeownership Mortgage Bonds, 1986 Series D. The 1987 Series C provided funds for the refunding of $42,525,000 prior Homeownership Mortgage Bonds with maturing principal on May 1, 1988 and May 1, 1989.

South Dakota Retirement System:

In connection with the decline in the stock market, subsequent to June 30, 1987, the market value of securities held by the SDRS at June 30 declined by approximately $60,000,000 or 5½% of the portfolio market value.

Statistical Section

South Dakota
Economic Outlook

A positive growth in South Dakota's economy is anticipated over the next few years. Factors such as low unemployment and a high growth rate in retail sales are indications that South Dakota has a strong economy. The following paragraphs depict the strength and future of South Dakota's economy.

Agriculture is South Dakota's major industry. During the early 1980's agriculture experienced hard times. This was caused by inflated land values, low grain prices, high interest rates, and highly leveraged farmers. South Dakota lost 2,000 of its 38,000 farms during this time period. During the last year, certain factors have helped improve the agriculture economy. The combination of the federal farm program, good livestock prices, lower interest rates, and decreased costs of production inputs caused the financial condition of the farm economy to improve significantly. The lower land values have allowed young farmers to enter into business providing South Dakota with farmers for the next century.

Furthermore, diversification of the economic base has proven vital to South Dakota. While the agricultural community struggled during the early 1980's, new and expanding businesses provided the growth in the South Dakota economy. For example, in 1987, 3,300 new nonagricultural jobs were created in South Dakota, injecting millions of new dollars into communities and helping reduce the dependency on agriculture. The addition of Governor Mickelson's economic development programs will assist South Dakota in expanding its economic base in the future.

The future of South Dakota's economy looks bright based on a favorable agricultural climate and the expansion of nonagricultural industries.

South Dakota Profile

Location:

Upper Midwestern United States

Latitude:

Northernmost - 45° 55' N
Southernmost - 42° 30' N

Longitude:

Easternmost - 96° 20' W
Westernmost - 104° 5' W

Area:

75,952 sq. miles; 196,715 sq. kilometers
1,092 sq. miles of inland water; 1,820 sq. kilometers
South Dakota is the 16th largest state in the Nation

Climate:

4-season

Average annual precipitation	13 inches in the northwest to 25 inches in the southeast
Average January temperature	10° F in the northeast to 22° F in the southwest
Average July temperature	68° F in the Black Hills to 78° F in the south-central part of the state

Land Composition:

Cropland	40.9%
Grassland pastures	49.8%
Forestland	3.4%
Other	5.9%

Altitude:

Highest point - Harney Peak in the Black Hills 7,242 ft.
Lowest point - Big Stone Lake in northeastern South Dakota 961 ft.
Mean elevation - 2,201 ft.

Population: 705,000

Capital: Pierre

South Dakota
Miscellaneous Characteristics

Square Miles of Land	75,952
Miles of Highways	73,293
Number of State Parks	12
Number of National Parks	5
Number of State Colleges and Universities	6
Number of Private Colleges/Universities	7
Number of Voc-Tech Schools	4

SOURCES: 1980 Census of Population. Volume 1, Characteristics of the Population, PC80-1-A43, U.S. Bureau of the Census, Table 2.

Selected Highway Statistics and Charts 1985. U.S. Department of Transportation, Federal Highway Administration, "Existing Public Road and Street Mileage - 1985", Table SS85-15 (mm-15) October 1986.

"South Dakota in Maps." Henry T. Quinn Center Spring 1985, USD, Vermillion 1986.

Business Research Bureau, University of South Dakota, unpublished data.

Labor Force:

	Population 16 years & older	Number in Labor Force	Percent of Persons in Labor Force
Males		190,000	55%
Females		156,000	45%
Total	521,000	346,000	100%

Source: U.S. Bureau of Labor Statistics, 1984

Education:

High School Graduation Rate - 83.9% (5th highest in the U.S.)
National Average - 74.8%

Source: U.S. Department of Education - 1982

South Dakota

Population: 705,000

Age Groups		% of Total
0-4	63,000	8.9%
5-13	99,000	14.0%
14-17	43,000	6.1%
18-24	84,000	11.9%
25-34	114,000	16.2%
35-44	78,000	11.1%
45-64	128,000	18.2%
65 & over	96,000	13.6%
18 & over	500,000	70.9%

Source: U.S. Bureau of the Census, 1984

Racial Distribution		% of Total
White	655,956	93.0%
Black	2,072	.3%
American Indian Eskimo & Aleut	44,900	6.4%
Asian & Pacific Islander	2,072	.3%
Total	705,000	100%

Population Distribution		
Urban (25,000 - 100,000)	162,686	23.1%
Towns (less than 25,000)	161,640	22.9%
Rural	380,674	54.0%
Total	705,000	100.0%

Largest Cities:

Sioux Falls	87,776
Rapid City	49,146
Aberdeen	25,764
Watertown	16,461
Brookings	15,028
Mitchell	13,893
Pierre	12,402
Huron	12,379
Yankton	12,113
Vermillion	10,007
Madison	6,349
Spearfish	5,710
Sturgis	5,049

Source: U.S. Bureau of the Census, 1984

South Dakota

State Taxes

A. Sales Tax (SDCL 10-45): A tax of 4% is imposed upon the gross receipts from the sale of tangible personal property or services except for the gross receipts from the sale of agricultural machinery, irrigation equipment, and vending machines or amusement devices which are taxed at 3%. Administered by the Department of Revenue.

B. Use Tax (SDCL 10-46): An excise tax is imposed on the privilege of the use, storage, or consumption in this state of tangible personal property not originally purchased in the state, but thereafter used, stored, or consumed in South Dakota. The taxation rate is 4%, except on farm machinery and irrigation equipment on which the rate is 3%. Administered by the Department of Revenue.

C. Realty Improvement Contractor's Excise Tax (SDCL 10-46A and 10-46B): SDCL 10-46A imposes an excise tax of 2% on the gross receipts of all prime contractors engaged in realty improvements on any property excluding utilities. SDCL 10-46B provides for a 1.5% excise tax on the gross receipts of all prime and subcontractors engaged in work involving utility type property.

D. Alcohol Beverage Tax (SDCL 35-5): This tax is computed and levied on all alcoholic beverages purchased, received, or imported from a distiller, manufacturer, or foreign wholesaler for sale to a retail dealer. The taxation rates are as follows: 1) light wines and diluted beverages having more than 3.2% and not more than 14% alcohol by weight: 93 cents per gallon; 2) wines and diluted beverages having more than 14% and not more than 20% alcohol by weight: $1.45 per gallon; 3) wines and diluted beverages having not more than 24% alcohol by weight, and all sparkling wines: $2.07 per gallon; 4) other alcohol beverages: $3.83 per gallon; and, 5) $8.50 per 31 gallon barrel (or pro rata share thereof) on beer in excess of 3.2% alcohol by weight. (Effective April 1, 1988, all malt beverages will be taxed at this rate.) 25% of the collections are reverted to the municipalities. Administered by the Department of Revenue.

E. Malt Beverage Tax (SDCL 35-5): This tax is levied on the wholesalers of malt beverages at the rate of $5.18 per 31 gallon barrel (or pro rata share thereof) on low point beer. This revenue is deposited in the general fund. 25% of the collections are reverted to the municipalities. (Effective April 1, 1987, the malt beverage tax was repealed by SDCL 1987, CH. 261-44.) Administered by the Department of Revenue and the State Treasurer.

F. Alcohol Beverage 2% Purchase Price Tax (SDCL 35-5-6.1): This tax is in addition to the tax imposed by Section 35-5-3, and is imposed at the rate of 2% upon the purchase of alcohol beverages, except beer, by a wholesaler from a distiller, manufacturer, or supplier. Administered by the Department of Revenue.

G. Cigarette Tax (SDCL 10-50): This tax is levied at the rate of 23 cents per pack via cigarette tax stamps which are affixed by the wholesalers who receive a 3 1/2% discount on the purchase of stamps. Administered by the Department of Revenue.

H. Bank Franchise Tax (SDCL 10-43 and 51-16): An annual tax of 6% of net income is levied on banks and financial corporations doing business in the state. For those referred to in SDCL 10-43-73.1, 3% of the tax receipts are distributed to the political subdivisions of the state in lieu of all other taxes and licenses and 26.2 3% is retained by the state. For those organized under SDCL 51-16, 5% of the tax collected is returned to the county wherein the financial institution is located. The remaining 95% is deposited inthe state's general fund.

I. Insurance Company Tax (SDCL 10-44-2): All companies except fraternal and farm mutual insurance companies doing insurance business in the state must pay this tax. The rates are 2 1/2% of premiums and 1 1/4% of the consideration for annuity contracts. Any insurer subject to the tax provided for by § 10-44-2 which has in this state its principal office, or a regional home office as defined in § 10-44-5 is entitled to the following credits against the tax: 1) an amount equal to 50% of the tax, and 2) an amount equal to ad valorem taxes paid, whether direct or in the form of rent, on the premises occupied as a principal or regional home office. In no event may the credits exceed 70% of the tax liability. Administered by the Division of Insurance, Department of Commerce and Regulation.

J. Fire Insurance Tax (SDCL 10-44-9): This tax is levied on all companies doing fire insurance business in the state at the rate of one half of one percent. Administered by the Division of Insurance, Department of Commerce and Regulation.

K. Feed and Fertilizer Tonnage Tax (SDCL 39-14-43 and 38-19-10): An inspection fee at the rate of 16 cents per ton is paid on commercial feeds by distributors in this state. Twenty cents per ton is paid as an inspection fee by distributors on all original packages of commercial fertilizer containing more than five pounds. Administered by the Department of Agriculture.

L. Mineral Severance Tax (SDCL 10-39): The gross yield from the sale of precious metals severed in this state is taxed at the rate of 2%. In adddition, there is imposed a tax of 8% of net profits from the sale of precious metals severed in this state. Each person severing precious metals shall be given an exemption from these taxes for the first twenty ounces severed each year. Administered by the Department of Revenue.

M. Energy Minerals Severance Tax (SDCL 10-39A): A tax of 4 % of the taxable value of energy minerals is imposed on the owners of energy minerals for the privilege of severing energy minerals in this state. "Energy minerals" are defined as any mineral fuel including, but not limited to, coal, lignite, petroleum, oil, natural gas, uranium, and thorium and combination of minerals used in the production of energy. "Taxable value" is either the sale price less royalties or rents belonging to units of government or a market price. One half of the taxes imposed by Chapter 10-39A are returned to the county where the energy minerals were severed, one sixth of the taxes deposited into the energy development impact fund, and one third of the taxes deposited into the state general fund. Any excess over $100,000 in the energy development impact fund is automatically credited to the state general fund. Administered by the Department of Revenue.

N. Conservation Tax on Severance of Energy Minerals (SDCL 10-39B): An excise tax equal to 2.4 mills of the taxable value of energy minerals severed or saved is imposed on the severer of those minerals. The tax imposed by this chapter shall be deposited into the general fund and shall be used to pay for the state's costs of administering the rules and statutes involving exploration for and development of minerals and oil and gas reserves in the state.

O. Inheritance Tax (SDCL 10-40): This tax is imposed upon the inheritance of an heir and the rate varies according to the amount inherited and to the degree of blood relationship between the decedent and the heir. Ten percent of the total collections made by the county treasurer is retained by the county, and 90% is remitted to the state. Administered by the Department of Revenue and the State Treasurer.

$.18/gallon on motor vehicle fuel
No Corporate Income Tax
No Personal Income Tax
No Personal Property Tax
No Business Inventory Tax
No Unitary Tax
No Business Franchise Tax

Local Taxes

Local government in South Dakota is supported from revenues derived from real property and sales taxes.

Real Property taxes are determined by taking the local mill levy and applying it to the taxable value of a property. The following summary lists effective property tax rates for the 11 largest cities in South Dakota in 1985.

	Total Levy	Effective Tax Rate
Aberdeen	79.66	2.89
Brookings	63.44	2.19
Huron	66.02	2.85
Madison	69.12	3.00
Mitchell	57.08	3.03
Pierre	55.15	2.21
Rapid City	64.66	2.28
Sioux Falls	66.58	1.93
Vermillion	59.43	2.63
Watertown	42.31	1.82
Yankton	48.47	2.47

Cities may impose a local general sales and use tax of up to two percent. Cities may also impose up to an additional one percent on hotel and motel rentals, campsites, sales of alcoholic beverages, public eating establishments, and on ticket sales for amusement, athletic, and cultural events.

South Dakota

Taxes per $1,000 of personal income for South Dakota, surrounding states and the U.S.

State	Taxes	% of U.S. Average
South Dakota	$102	90.27%
Nebraska	100	88.50
North Dakota	106	93.81
Iowa	111	98.23
Minnesota	122	107.96
Montana	124	109.73
Wyoming	198	175.22
U.S.	113	100.00

South Dakota
Banking
Calendar Years 1977 Through 1986

CALENDAR YEAR	BANK DEPOSITS ($ millions)	PER CAPITA BANK DEPOSITS
1977	$3,443	$5,004
1978	3,785	5,491
1979	4,184	6,077
1980	4,535	6,565
1981	6,539	9,455
1982	6,703	9,620
1983	7,886	11,266
1984	8,629	12,226
1985	8,121	11,468
1986	8,065	11,391

NOTES: Bank Deposits are for all commercial banks, insured or otherwise.

Per Capita bank deposits are calculated by dividing the bank deposits by the estimated state population for each year.

SOURCES: Statistical Abstract of the United States: 1976 - 1987

District Economic Conditions - 2nd Quarter, Federal Reserve Bank of Minneapolis.

U.S. Bureau of the Census, unpublished data.

South Dakota

Employment Statistics
Calendar Years 1978 Through 1987

CALENDAR YEAR	UNEMPLOYMENT RATE	EMPLOYED POPULATION RATIO	EMPLOYEES ON STATE PAYROLL	
			FULL TIME	TOTAL
1978	3.1	64.6	13,000	17,000
1979	3.5	65.7	12,000	16,000
1980	4.9	64.4	12,000	16,000
1981	5.1	64.2	12,000	16,000
1982	5.5	62.7	12,000	16,000
1983	5.4	62.7	12,000	16,000
1984	4.3	64.9	12,000	17,000
1985	5.1	64.5	12,000	17,000
1986	4.7	65.1	13,000	17,000
1987	4.2	66.1	13,000	17,000

NOTES

Unemployment Rate: Percent unemployed of the civilian labor force, 16 years old and over.

Employed Population Ratio: Civilian employment as a percent of civilian non-institutional population, 16 years old and over.

Employees on the state payroll have been rounded to the nearest 1,000.

SOURCES

U.S. Bureau of the Census, Public Employment, Series GE No. 1

U.S. Statistical Abstracts

U.S. Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment

South Dakota
Ten Largest Business Establishments

BUSINESS NAME	SIC CODE	LOCATION	INDUSTRY DESCRIPTION	APPROX EMPLOYEE
Citibank (South Dakota) NA	6020	Minnehaha Co	Finance, Insurance, Real Estate: Commercial & Stock Savings Bank	2,600
John Morrell & Co	2011	Minnehaha Co	Meat Packing Plant	3,000
Magnetic Peripherals, Inc	3573	Pennington Co	Computing Equipment	1,000+
Litton Microwave Cooking	3631	Minnehaha Co	Cooking Equipment	1,200
MPI (formerly Control Data)	3573	Brown Co	Computing Equipment	1,125
Homestake Mining Co	1041	Lawrence Co	Mining: Gold Ores	1,000+
Sioux Valley Hospital	8060	Minnehaha Co	Services: Hospitals (4)	1,900
McKennan Hospital				1,200
Rapid City Regional		Pennington Co		1,400
St. Luke's Hospital		Brown Co		840

Sources: County Business Patterns, 1985 (South Dakota), U.S. Bureau of the Census

Northwestern Bell Telephone Books

SIC - Standard Industrial Code

South Dakota
New and Expanded Businesses During 1986 and 1987

Expanded Companies	1986	1987
Companies	221	267
Square Footage	789,347	753,636
Capital Investment	$ 70.2 M	$ 76.1 M
Employees	1,926	2,764

New Companies	1986	1987
Companies	39	30
Square Footage	1.3 M	.7 M
Capital Investment	$ 19.6 M	$ 17.5 M
Employees	393	495

Total New & Expanded	1986	1987
Companies	260	297
Square Footage	2.1 M	1.4 M
Capital Investment	$ 89.8 M	$ 93.6 M
Employees	2,319	3,259

South Dakota Ranking for Crop Production — 1987

Crop	Volume	National Rank
Corn for Grain	228.3 Mill Bu.	9th
Oats	52.9 Mill Bu.	1st
All Wheat	106.7 Mill Bu.	6th
Winter Wheat	55.1 Mill Bu.	10th
Durum Wheat	3.0 Mill Bu.	5th
Other Spring Wheat	48.6 Mill Bu.	4th
Barley	34.0 Mill Bu.	6th
Rye	5.0 Mill Bu.	2nd
Flax Seed	.7 Mill Bu.	2nd
Sorghum for Grain	14.3 Mill Bu.	7th
Sunflower Seed	387.0 Mill Lbs.	2nd
All Hay	7.1 Mill Tons	5th
Alfalfa Hay	5.2 Mill Tons	5th

Livestock	Number	National Rank
Cattle & Calves	3,500,000 Head	9th
Hogs & Pigs	1,520,000 Head	9th
Sheep & Lambs	610,000 Head	5th

Source: 87-88 S.D. Ag. Statistics Service

South Dakota
Farm Statistics
Calendar Years 1977 Through 1987

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (S 000's)	AVERAGE INCOME PER FARM
1977	41,000	$213,400	$194	$408,957	$9,975
1978	40,000	255,400	227	522,173	13,054
1979	39,000	295,400	256	742,226	19,031
1980	38,500	341,300	292	374,671	9,732
1981	38,000	387,000	329	561,928	14,788
1982	37,500	414,100	349	408,070	10,882
1983	37,000	418,500	348	195,899	5,295
1984	37,000	406,000	338	529,092	14,300
1985	36,500	304,800	250	600,084	16,441
1986	36,000	265,800	215	808,153	22,449
1987	35,000	220,600	178		

NOTES: Net farm income is defined as total cash receipts and other income less total production expenses plus the value of inventory change. Cash receipts come from marketings of livestock and products and crops. Other income includes government payments, imputed income and rent received.

Average farm income is net farm income divided by the number of farms.

SOURCES: South Dakota Agriculture: 1985-1986, 1986-1987, South Dakota Agricultural Statistics Service.

Regional Economic Information System, Bureau of Economics (Release Date: April, 1987), Table SA45.

South Dakota
Income Statistics
Calendar Years 1978 Through 1987

CALENDAR YEAR	PER CAPITA PERSONAL INCOME	PERCENT OF NATIONAL AVERAGE	PER CAPITA DISPOSABLE INCOME
1978	$7,051	87%	$6,359
1979	8,062	89	7,277
1980	8,217	83	7,322
1981	9,249	84	8,247
1982	9,489	83	8,379
1983	9,673	80	8,659
1984	10,613	81	9,531
1985	11,035	79	10,032
1986	11,811	81	10,738
1987	12,511	82	11,325

NOTES: Personal Income is the income received by all individuals in the economy from all sources.

Disposable Personal Income is the income remaining to persons after personal tax and nontax payments. Personal taxes include State and Federal income taxes as well as personal property taxes and estate and gift taxes. Nontax payments include fines and fees for such services as education and hospitals.

Disposable personal income is the amount which individuals can use either to make personal outlays or to save.

SOURCE: Regional Economic Information System, Bureau of Economic Analysis, Release Date: April 1988, Tables SA2 and SA52.

South Dakota

SIGNS & SYMBOLS

A South Dakota Greeting

South Dakota is the land of the famous Sioux or Dacotah Indians. Dakota Territory and later South Dakota were named for the tribe. Their greeting, "How Kola" means "Hello, Friend." We extend that greeting to you and with it a warm invitation to visit and enjoy the many scenic and recreational attractions you'll find all across South Dakota.

State Seal

The state seal serves as a symbol of life in South Dakota. It depicts the state's diversity of commerce and resources: farming, ranching, industries, lumbering, manufacturing and mining. It bears the motto, "Under God the People Rule." The seal was adopted in 1885, four years before the state was admitted to the Union.

State Flag

The South Dakota flag features the great seal of the state surrounded by a golden fringe and on a field of sky blue. Golden letters reading "South Dakota, The Sunshine State" are arranged in a circle around the seal.

State Tree

The Black Hills spruce, a member of the evergreen family, is the state tree. The pyramid-shaped tree is characterized by dense foliage of short, blue-green needles and slender cones.

State Capitol

Marble balustrades, scagliola pillars, stained glass skylights and mosaic floors lavish the rotunda of South Dakota's state capitol in Pierre. Today this striking limestone structure looks much as it did when it was completed in 1910 and is one of the most fully restored state capitols in the United States.

State Song

"Hail, South Dakota" is the official state song, adopted in 1943. It is a marching song composed by Deevort Hammitt.

State Flower

The pasque is the state flower. It is also called the May Day flower. It grows wild throughout the state, and its blooming is one of the first signs of spring in South Dakota. A member of the buttercup family, the pasque is a small, lavender flower.

State Insect

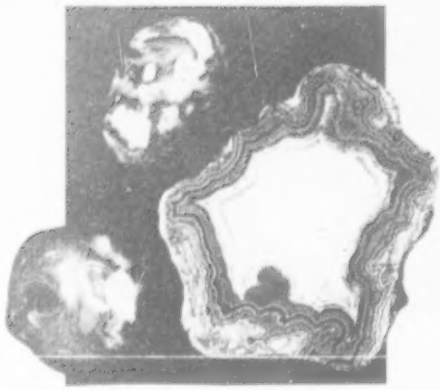
South Dakota is a leader in honey production. In recognition of its importance to the state's farm economy, the honey bee (Apis Mellifera L.) was adopted as the state insect in 1978. Our mild, clear clover honey is often shipped out-of-state to be blended with darker honey.

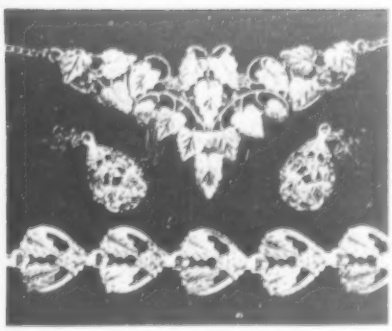
State Bird

The Chinese ring-necked pheasant (*Phasianus colchicus*) was introduced to South Dakota in 1895 and is easily recognized by its colorful plumage. It is also known for its delicious meat. Since it is primarily a midwestern bird, pheasant is considered a rarity in many other states.

State Gemstone

The state gemstone is the Fairburn agate, a semi-precious stone that was first discovered near Fairburn, S.D.





State Jewelry

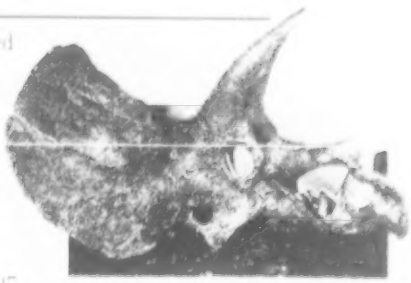
Black Hills gold, the state jewelry, can be found in many shops in the Black Hills of South Dakota. Each design incorporates the traditional motif of grapes and leaves in rich colors ranging from shades of green, rose and yellow gold.

State Mineral

Rose quartz, named for the southern Black Hills, is the state mineral. It was discovered near Custer in the late 1800s. It is used primarily for ornaments and jewelry.

State Fossil

The triceratops, a horned dinosaur of the late Cretaceous period (approx. 68 million years ago), is the state fossil. It was a vegetation-eating dinosaur and used its horns for defense. Discovered in Harding County in 1927, the skeleton is now on display in the Museum of Geology in Rapid City.

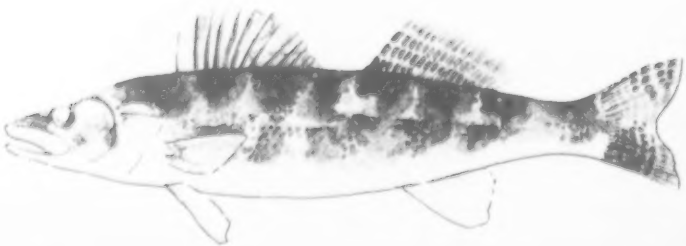


State Animal

The state animal is the coyote, a natural predator of small game and rodents. The adaptable coyote hunts the open prairies and fields over the entire state but occurs in greatest numbers along the Missouri River, its tributaries and in the Black Hills.

State Fish

The walleye is the state's fish as well as the most sought-after game fish in the state. National sportswriters who have fished the Missouri River's reservoirs and the Glacial Lakes Region in South Dakota now proclaim the state "Walleye Capital" of America.



South Dakota Centennial Medallions

Mined, Designed and Minted in South Dakota

To celebrate the 100th anniversary of the 40th state, it is with great pride that the State of South Dakota has approved the production of these South Dakota Centennial Medallions.

These centennial medallions are minted at the offical state mint, Tri-State Refining, in Sioux Falls. The precious metals contained in each medallion are mined in the Black Hills of South Dakota.

Each hand-crafted medallion is manufactured from the highest possible quality of fine South Dakota gold or silver. Antiqued bronze pieces, also available, are given the greatest attention to detail.

This unique portrayal of a woman and child designed by Blackhawk, South Dakota artist Joan Martin represents the heritage and people of South Dakota . . . past, present and future.

Because of their classic design and high quality, South Dakota Centennial Medallions will be a cherished memory of the state centennial and a collectable keepsake of the history of the American West.

S7330-1-W

Annual Financial Report for the Year Ended June 30, 1988

South Dakota

Bureau of Finance and Management
James A. Hill, Commissioner

COVER THEME

The Symbolism of the Centennial Logo

The South Dakota Centennial Logo includes several symbols that celebrate the history and heritage of South Dakotans.

The star represents the South Dakota star in the United States flag. The red, white and blue of the color version of the logo represents the national patriotism felt by South Dakotans who fought for statehood.

Some of the symbols also have multiple meanings. The wavy lines represent the lines of the United States flag, waving fields of grain and the waves of the rivers in South Dakota.

The right side edges of the wavy lines on the logo depict the outline of the eastern border of the state. Some people believe that the human profile in the star on the left side of the logo depicts George Washington and therefore represents Mount Rushmore and western South Dakota.

However, many people see an Indian chief on the left, not George Washington. The nose and other facial features resemble George Washington's carved image on Mount Rushmore. But, those same features also look like those of a proud Indian leader. The lines drawn to the left of the face look like braids to some people and the etched rock of Mount Rushmore to other people. What do you think?

ONE DAKOTA . . . TWO DAKOTAS?

The first organized effort to separate Dakota Territory into parts occurred in 1871 when the Territorial Legislature petitioned Congress for the creation of two territories with the division line being the 46th parallel. It failed.

In 1877, a proposal to create a new territory called "Eldorado" or "Lincoln" from near the Missouri River to the Big Horn Mountains in Wyoming also failed.

In 1882 and 1883, conventions were held and in November, 1883 the people ratified a state constitution and promoters went to Washington and lobbied Congress.

The events of the 1880's began to solidify opinion that any division of Dakota Territory should be North and South instead of East and West as some residents had offered. But, as late as 1886, Congress considered legislation that would have created an East Dakota and a West Dakota with the division being the Missouri River.

However, also during the 1880's, separate railroad systems in the north and the south, economic ties to different major eastern cities and the growth of separate systems of public institutions also moved public opinion to favoring a north/south division.

The question of statehood was a very partisan issue at the local and national levels. Some Democrats wanted the continuation of territorial status to retain the power and perks of appointive office from the national Democrat administration of President Grover Cleveland. If statehood occurred, national Democrats favored one state of Dakota because the population was perceived to be largely Republican. They wanted only two new Republican Senators coming to Washington, D.C. from one Dakota instead of four new Republican Senators coming from two Dakotas.

The same logic existed at the local level. With territorial status, most official positions were appointive and in the hands of Democrats. With statehood, most offices would be elective and probably held by Republicans.

Although the possibility of Dakota being divided into four states was explored, in the summer of 1888, territorial Democrats and Republicans both met in Jamestown. Democrats endorsed one state. Republicans passed a resolution calling for division and two states.

Grover Cleveland of New York and Benjamin Harrison of Indiana served as Presidents of the United States during the last years of territorial status and first years of statehood for South Dakota.

After initially opposing statehood, the lame duck President Cleveland signed the Omnibus Enabling Act on February 22, 1889 that established the process for southern and northern Dakotans to achieve statehood. He and other outgoing Democrats got on the statehood bandwagon after pro-statehood Republicans had beat them in the previous November's elections.

At 3:40 p.m. (EST) on November 2, 1889, President Benjamin Harrison signed almost identical statehood proclamations that created North Dakota and South Dakota. No one will ever know which state was the 39th or the 40th to enter the Union because Harrison covered and shuffled the documents before and after signing them.

When South Dakotans voted in 1892 for the first time in a Presidential election, Harrison won with 50% of the vote. Remembering Cleveland's opposition to statehood, they gave him only 13% of the vote. A populist candidate, James Baird Weaver, received 37%.

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South Dakota

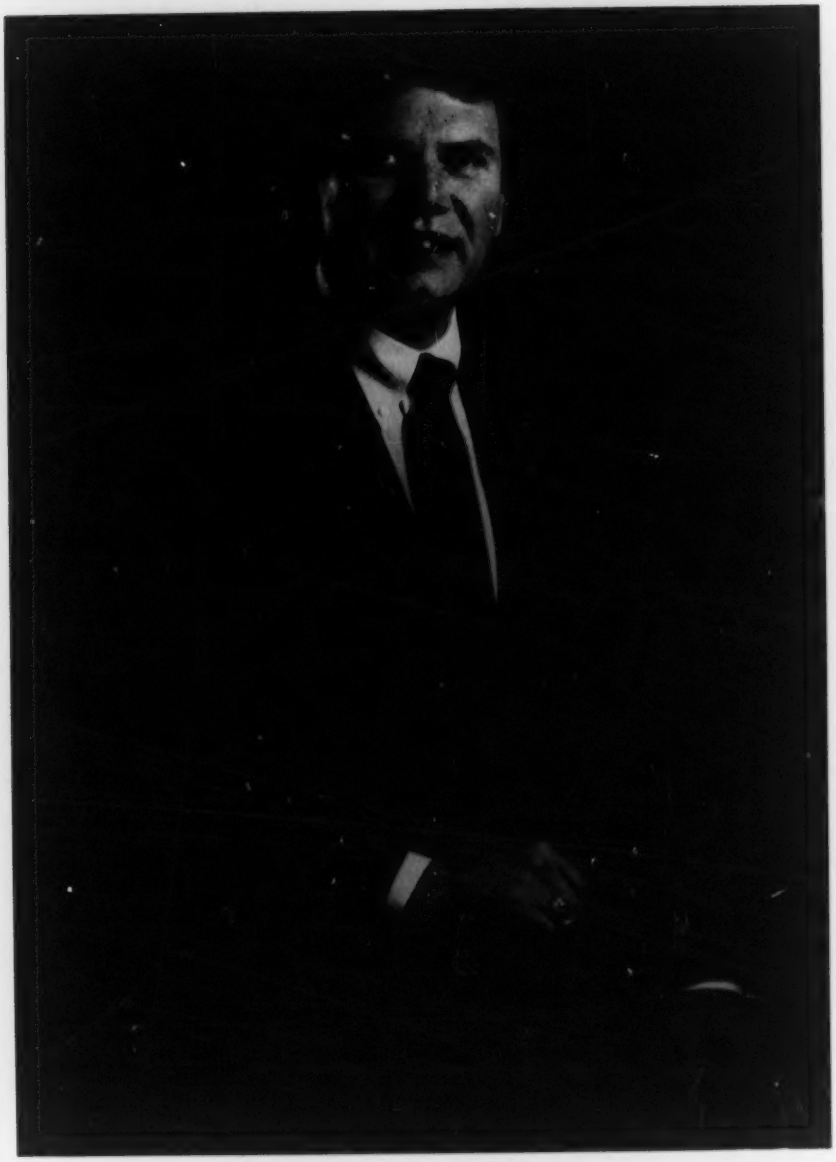
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1988

George S. Mickelson
Governor

Walter D. Miller
Lt. Governor

Prepared By
Bureau of Finance and Management
James A. Hill, Commissioner

Additional copies of this document may be obtained from the Bureau of Finance and Management, 500 East Capitol Avenue, Pierre, South Dakota 57501.



The Honorable George S. Mickelson
Governor, State of South Dakota

STATE OF SOUTH DAKOTA

GEORGE S. MICKELSON
GOVERNOR

EXECUTIVE OFFICE
STATE CAPITOL
PIERRE, SOUTH DAKOTA
57501
(605)773-3212

May 15, 1989

TO: The Honorable Members of the Legislature and Citizens of South Dakota

In this our centennial year, I am pleased to present the state of South Dakota's annual financial report covering operations for the fiscal year which ended June 30, 1988. The state's independently audited General Purpose Financial Statements that were prepared in accordance with Generally Accepted Accounting Principles (GAAP) are included in this report. This report presents to you and to the financial community the sound financial condition of South Dakota.

South Dakota continues to exhibit a growing economy. Healthy agriculture and tourism industries remain the main stay of our economy. In addition to these two major industries, economic development has provided the state with a diversified economic base.

Sales tax and property taxes are the two major revenue sources for state and local government. We are one of the few states that does not have a personal income tax. South Dakota's tax burden continues to remain low as is evident by our 46th ranking among the states for taxes per capita and 42nd ranking for taxes per $1,000 of personal income.

South Dakota's growing diversified economy and our emphasis on education will provide our state with employment and leaders into our second century of statehood.

Very truly yours,

GEORGE S. MICKELSON

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South Dakota

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1988

TABLE OF CONTENTS

	Page
Cover Theme	i
One Dakota . . . Two Dakotas	ii
Governor's Letter	vi
Introductory Section:	
Letter of Transmittal	2
Bureau of Finance and Management	5
General Fund - Receipts by Source	6
General Fund - Tax Receipts by Source	7
General Fund - Receipts by Function	8
All Funds - Receipts by Source	9
General Fund - Expenditures by Function	10
General Fund - Expenditures by Object	11
All Funds - Expenditures by Object	12
General Funds Receipts and Disbursements - 10 Years	13
General Funds Reversions - 10 Years	14
General Funds Ending Cash - 10 Years	15
Principal State Officials	16
State Organizational Chart	17
Functions of Government	18

Page

Financial Section:

Independent Auditor's Report 20

Combined Balance Sheet - All Fund Types and Account Groups 22

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds 24

Combined Statement of Expenditures - Budget and Actual (Non-GAAP) - All Budgeted Fund Types 26

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types and Similar Trust Funds 30

Combined Statement of Changes in Financial Position - All Proprietary Fund Types and Similar Trust Funds 31

Higher Education - Combined Statement of Changes in Fund Balances 32

Higher Education - Combined Statement of Current Funds, Revenues, Expenditures and Other Changes 34

Notes to Financial Statements 35

Statistical Section:

Miscellaneous 82

Labor Force 83

Age Groups - Racial Distribution - Population - Cities 84

Income 85

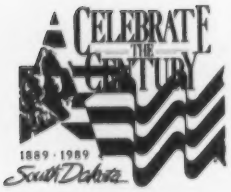
Population 86

Taxes 88

Farm Statistics 91

Education 92

Banking 93


CELEBRATE
THE
CENTURY
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South Dakota

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South Dakota

Introductory Section

Sod Home

This sod home is typical of the dwellings occupied by homesteaders at the time South Dakota was granted statehood in 1889.

South Dakota
BUREAU OF FINANCE AND MANAGEMENT
State Capitol, Pierre, South Dakota 57501
Phone 605/773-3411

June 1, 1989

The Honorable George S. Mickelson, Governor
Members of the Legislature
Citizens of the State of South Dakota

In accordance with Section 4-4-6 of the South Dakota Codified Laws, I am pleased to transmit to you South Dakota's statewide annual financial report for the fiscal year ended June 30, 1988.

Responsibility for both the accuracy of the data presented and the completeness and fairness of this document rests with the Bureau of Finance and Management. I believe the information as presented is accurate in all material aspects and that it fairly presents the financial position of the state of South Dakota.

REPORT STRUCTURE

This annual financial report is presented in three basic sections as recommended by the Governmental Accounting Standards Board: an introductory section which includes the letter of transmittal, the state organizational chart, list of key officials of the state, and other miscellaneous data which may be of interest to the reader; a financial section which includes the auditor's report, audited general purpose financial statements which provide an overview of the state's financial position and accompanying notes to the financial statements; and, a statistical section which provides the reader with general economic data about South Dakota as well as demographics.

COMPLIANCE

The Bureau of Finance and Management is required by statute to keep its fund structure and prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). South Dakota follows GAAP guidelines which are used by the Governmental Accounting Standards Board (GASB) and will continue to adopt and practice all pronouncements issued by the GASB.

South Dakota's accounting records for governmental operating funds are maintained on the modified accrual basis of accounting which records revenues when they are measurable and available and expenditures when the liability is incurred for the goods or services.

Proprietary funds, nonexpendable trust funds, and the pension trust fund are accounted for on the full accrual basis of accounting. The state's college and university funds have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers (NACUBO).

REPORTING ENTITY

Statements 3, 7, and interpretation 7, adopted by the Governmental Accounting Standards Board define the governmental reporting entity for the state's purposes. It is under these definitions that we include more than typical state agencies. The report also includes colleges, universities, and the authorities within the state which are authorized, i.e., South Dakota Building Authority, South Dakota Housing Authority, and South Dakota Health and Education Facilities Authority. Even though the state (as legally defined) is not directly responsible for the obligations of these authorities, they are defined to be part of the state's reporting entity. In previous years, separate financial statements were prepared for each of the state agencies. This annual financial report reverses that concept and presents financial information on the state government as one reporting entity. College and university funds are presented separately in conformance with generally accepted accounting principles within the general purpose financial statements.

AUDIT

The state's annual financial report is audited each year by the legislative office of the Auditor General who conducts his audit according to generally accepted auditing standards (GAAS). Their opinion is expressed on the general purpose financial statements and the notes to the financial statements and does not include the introductory section or the statistical section.

In addition to the annual audit of the general purpose financial statements, the Office of the Auditor General performs periodic audits of the various state agencies. Private accounting firms are employed to audit the separately issued component unit financial statements, such as the major financing authorities.

South Dakota internal control procedures are also evaluated on an annual basis by the Legislative Auditor General and, in my opinion, have been found to provide reasonable assurance for the safeguarding of our assets and in providing reasonable assurance of proper recording of financial transactions which are used in the preparation of the statewide financial report.

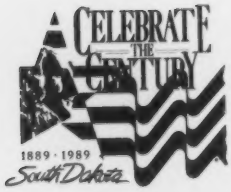
ACKNOWLEDGEMENTS

I would like to thank all those who spent so much time and effort in preparing the data that makes this report possible. The preparation of the statewide financial report could not have been accomplished without the full cooperation of all of the department fiscal personnel and the professionalism and dedication demonstrated by the Department of Legislative Audit.

Sincerely,

James A. Hill, Commissioner
Bureau of Finance and Management

JAH/cr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South Dakota

BUREAU OF FINANCE AND MANAGEMENT

The Bureau of Finance and Management is a staff agency in the South Dakota Department of Executive Management. Other agencies in the Department of Executive Management headed by the Governor, include the Governor's Office of Operations, the Office of Indian Affairs, the Governor's Office of Economic Development, the Bureau of Administration, and the Bureau of Personnel.

The general purpose of the Bureau of Finance and Management as described in SDCL 4-7-2 is to "... promote economy and efficiency in the fiscal management of the state government." The functions performed by bureau staff fall into two general areas -- budget analysis and accounting systems.

Budget Analysis:

South Dakota state government has an executive budget process where all agencies of state government annually submit their budget requests to the Bureau of Finance and Management. The bureau assists the Governor in developing the **Governor's Budget Book** which contains the Governor's recommendations to the Legislature for funding all state government programs for the next fiscal year.

Bureau staff are also involved in making recommendations to the Governor and other state officials on matters related to promoting efficient management to ensure compliance with state law.

Accounting Systems:

The Bureau of Finance and Management develops, maintains, and administers the state's central accounting and payroll/personnel systems; completes a monthly statewide bank reconciliation; prepares the state's annual financial report; prepares the statewide cost allocation plan (federal circular A-87); and develops accounting policy for all state government agencies, excluding the institutions under the control of the South Dakota Board of Regents.

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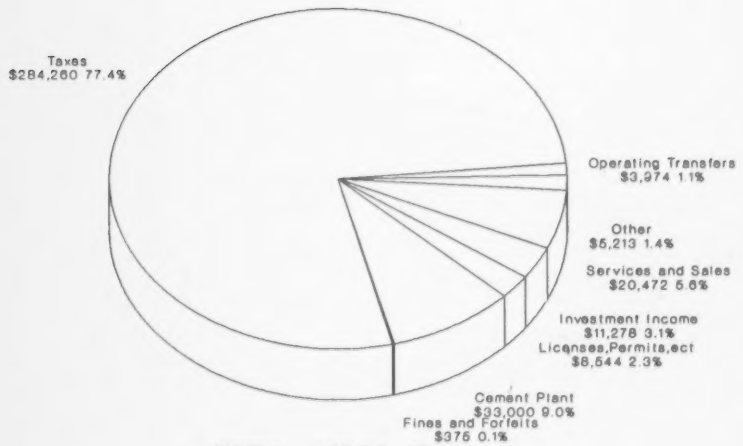
South Dakota

(Cash Basis)

General Fund Revenues by Source

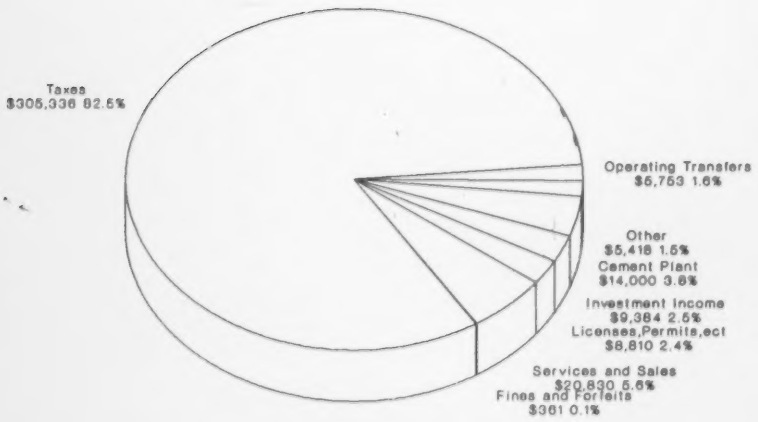
(Expressed in Thousands)

FY1987



TOTAL: 367,116 100%

FY1988



TOTAL: $369,892 100%

1889 · 1989

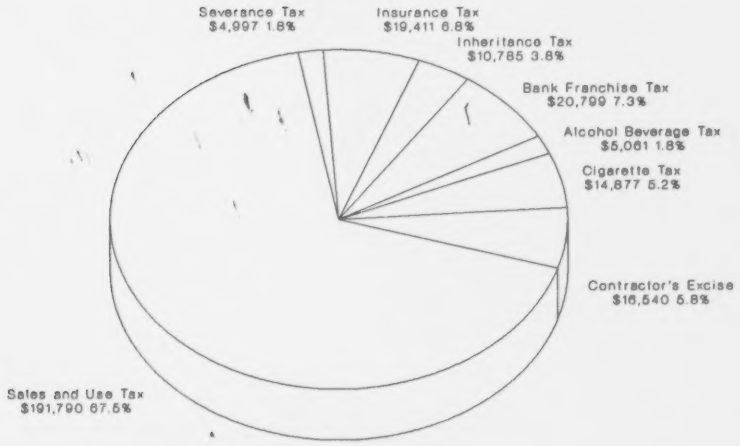
South Dakota

(Cash Basis)

General Fund Tax Revenues by Source

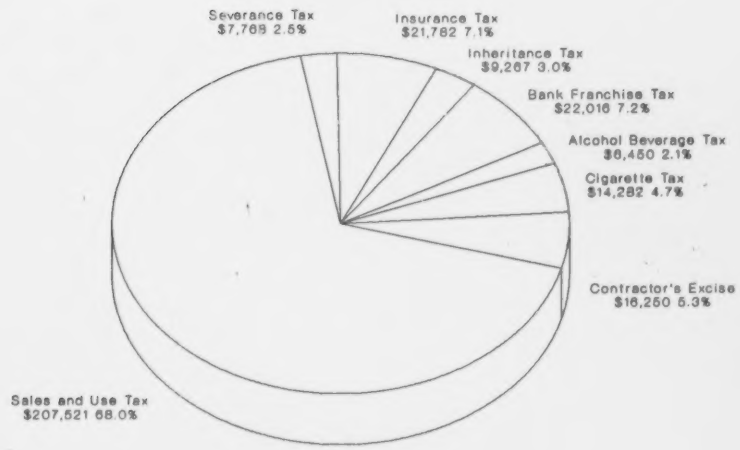
(Expressed in Thousands)

FY1987



TOTAL: $284,260 100%

FY1988



TOTAL: $305,336 100%

1889 · 1989

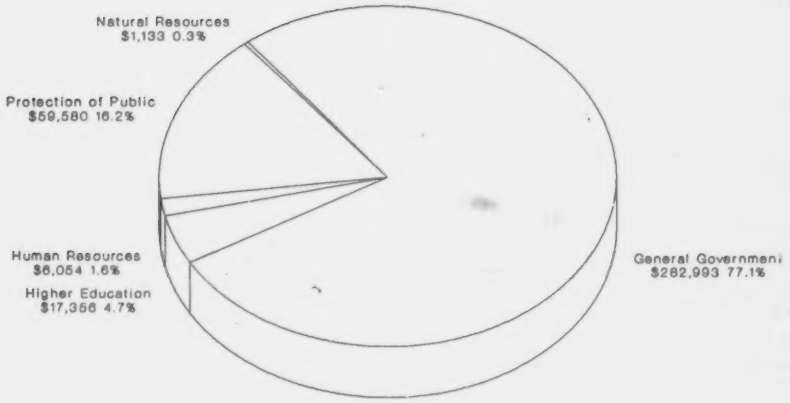
South Dakota

(Cash Basis)

General Fund Revenues by Function

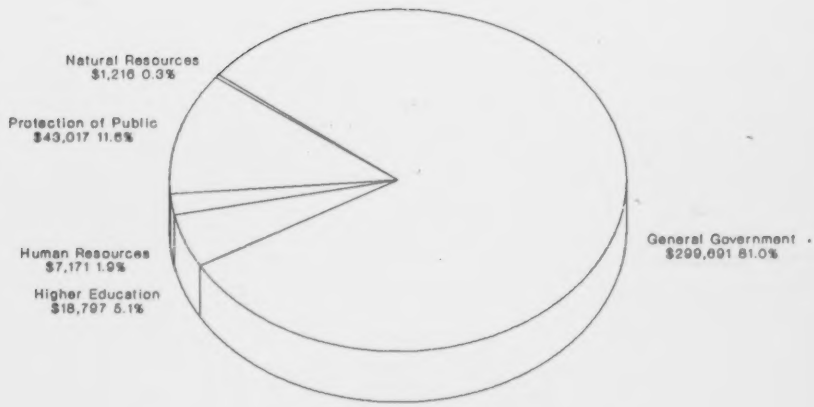
(Expressed in Thousands)

FY1987



TOTAL: $367,116 100%

FY1988



TOTAL: $369,892 100%

1889 · 1989

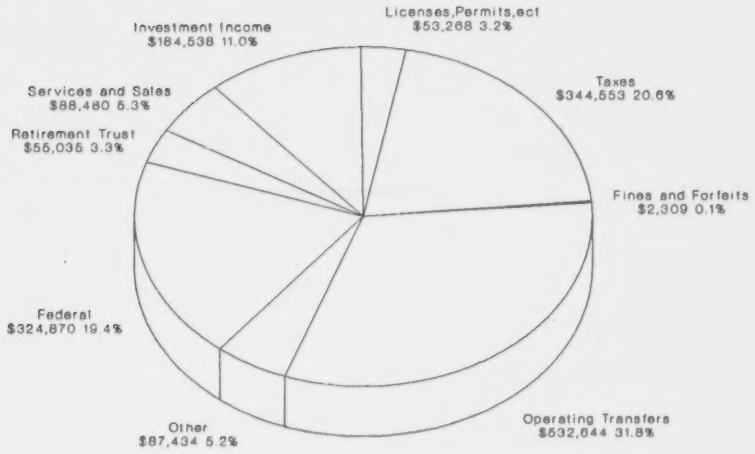
South Dakota

(Cash Basis)

All Funds Revenues by Source

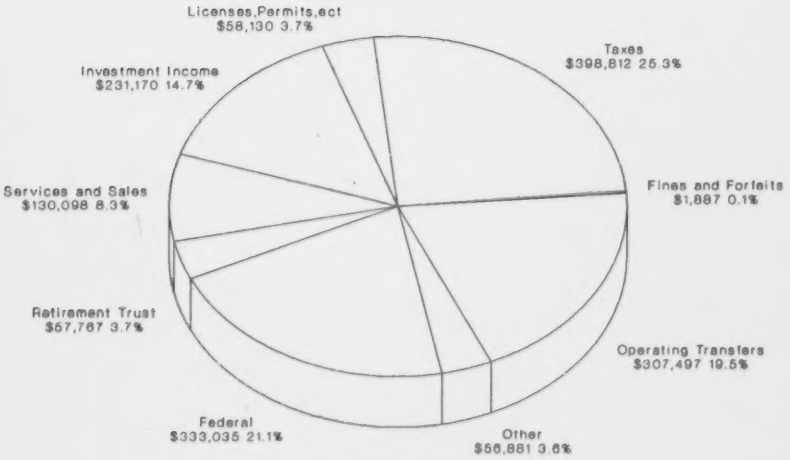
(Expressed in Thousands)

FY1987



TOTAL: 1,673,131 100%

FY1988



TOTAL: 1,575,277 100%

1889 · 1989

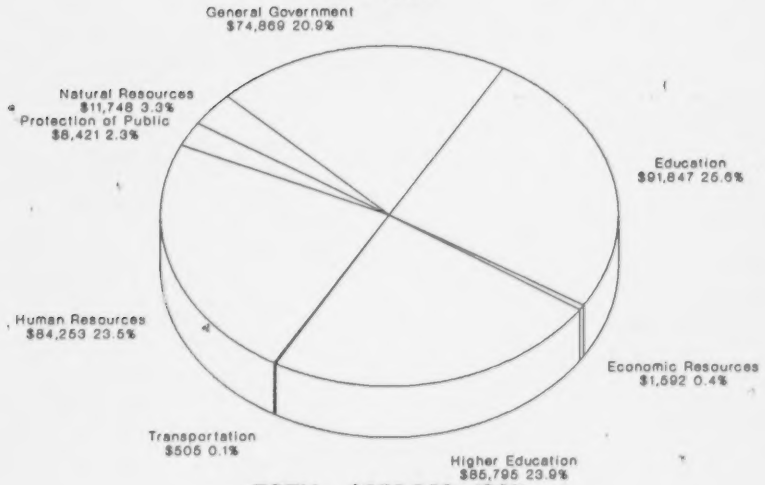
South Dakota

(Cash Basis)

General Fund Expenditures by Function

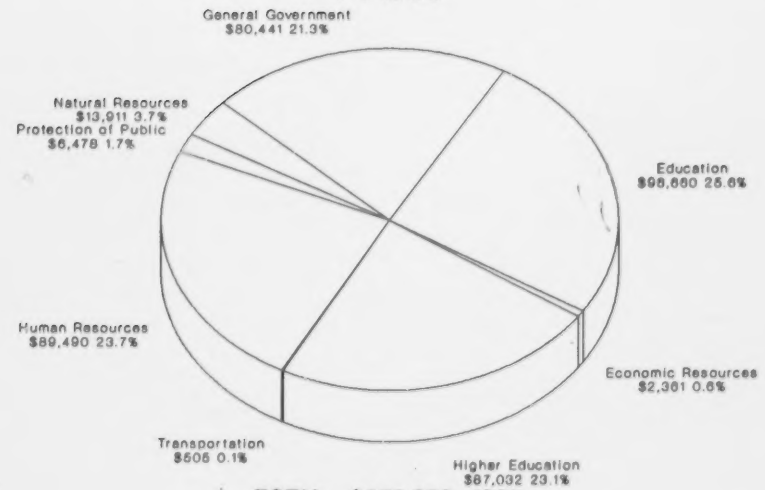
(Expressed in Thousands)

FY1987



TOTAL: $359,030 100%

FY1988



TOTAL: $376,878 100%

1889 · 1989

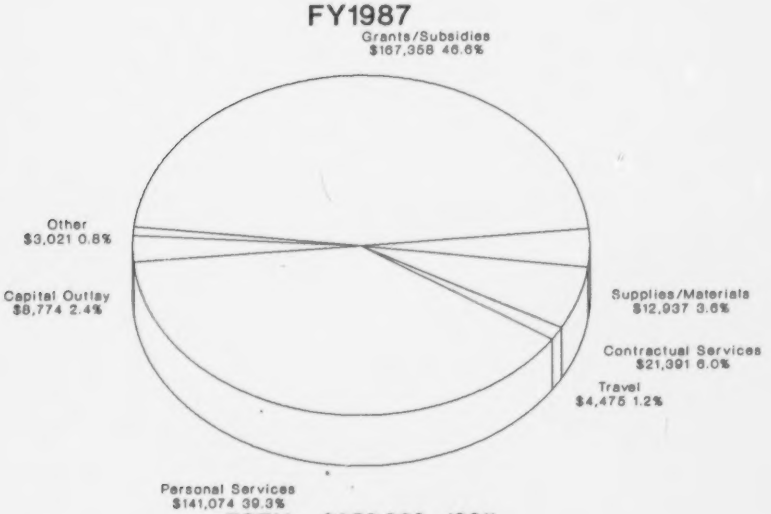
South Dakota

(Cash Basis)

General Fund Expenditures by Object of Expenditure

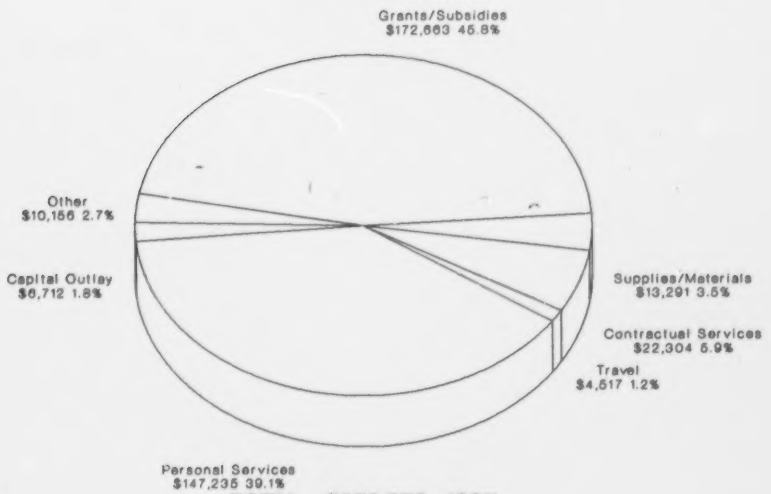
(Expressed in Thousands)

FY1987



TOTAL: $359,030 100%

FY1988



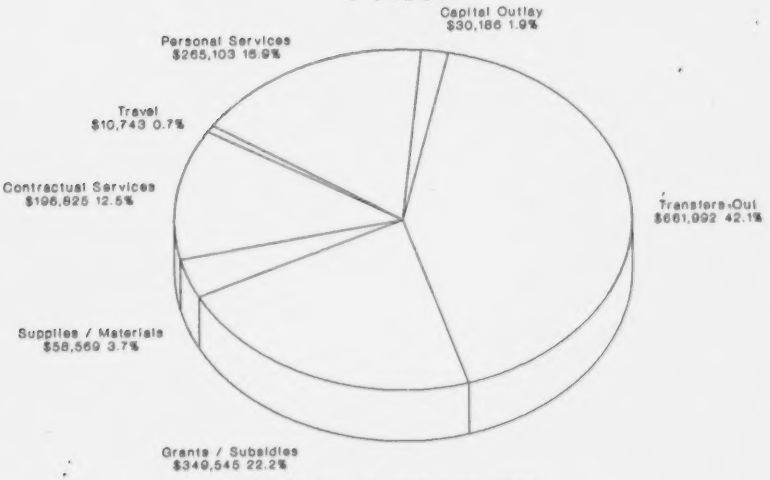
TOTAL: $376,878 100%

(Cash Basis)

All Funds Expenditures by Object of Expenditure

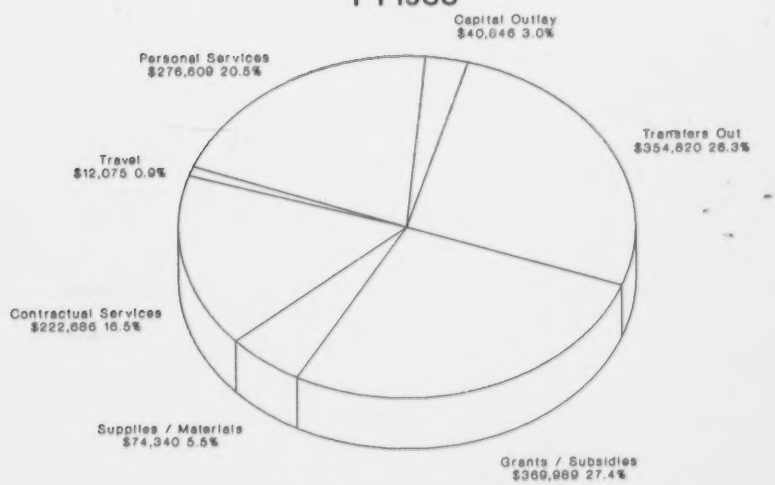
(Expressed in Thousands)

FY1987



TOTAL: $1,572,963 100%

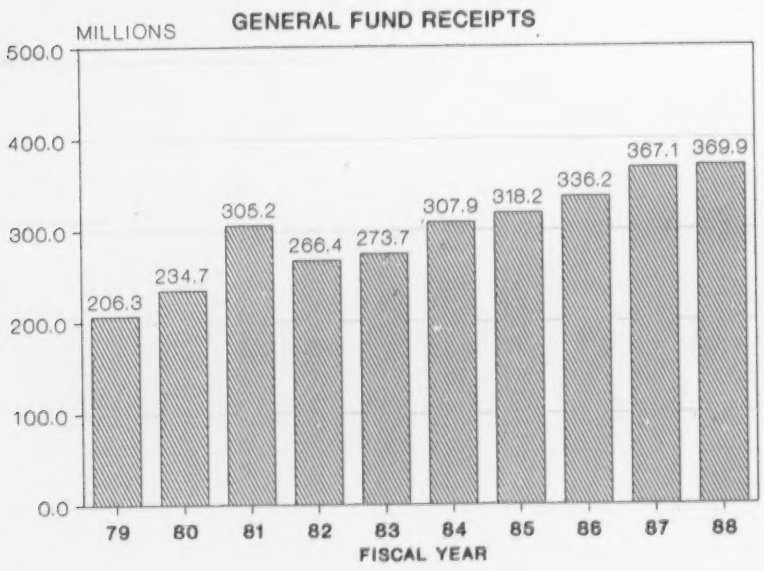
FY1988

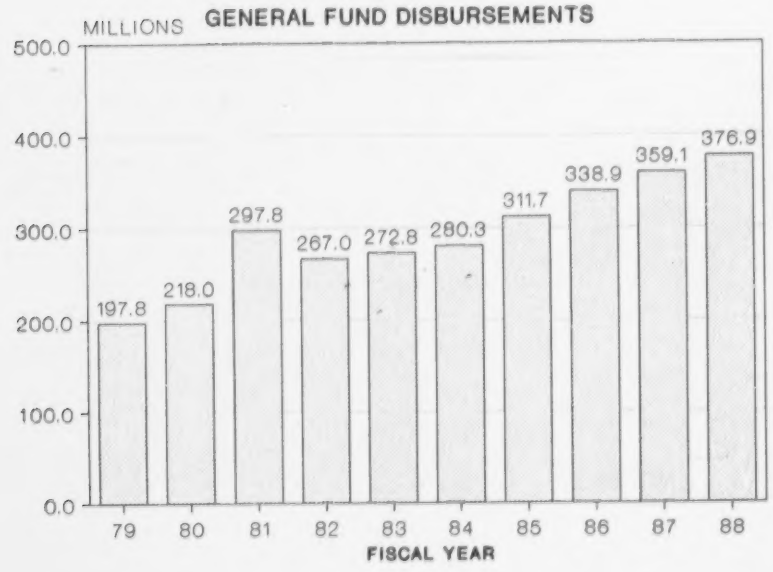


TOTAL: $1,351,365 100%

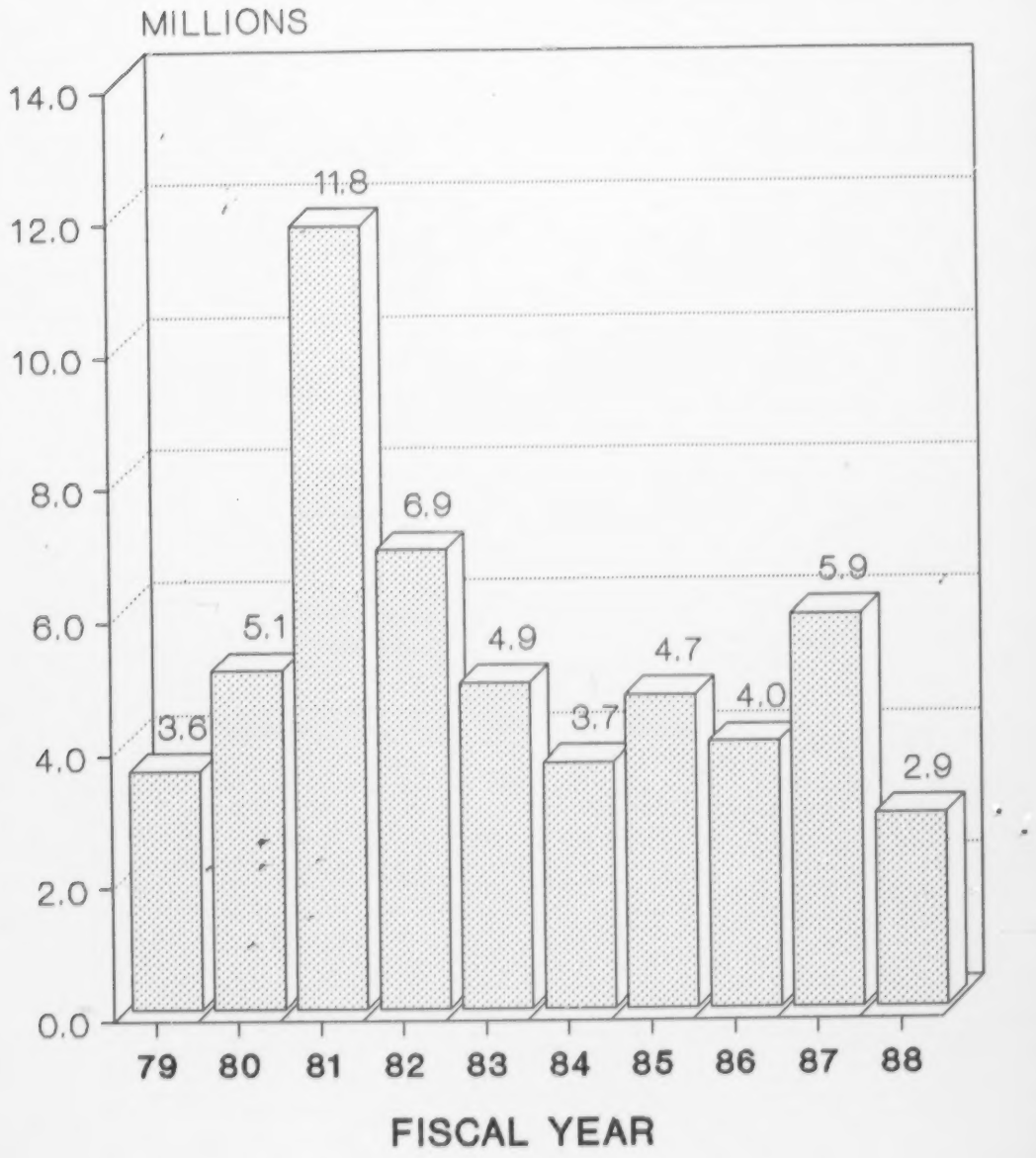
GENERAL FUND RECEIPTS AND DISBURSEMENTS

(Cash Basis)

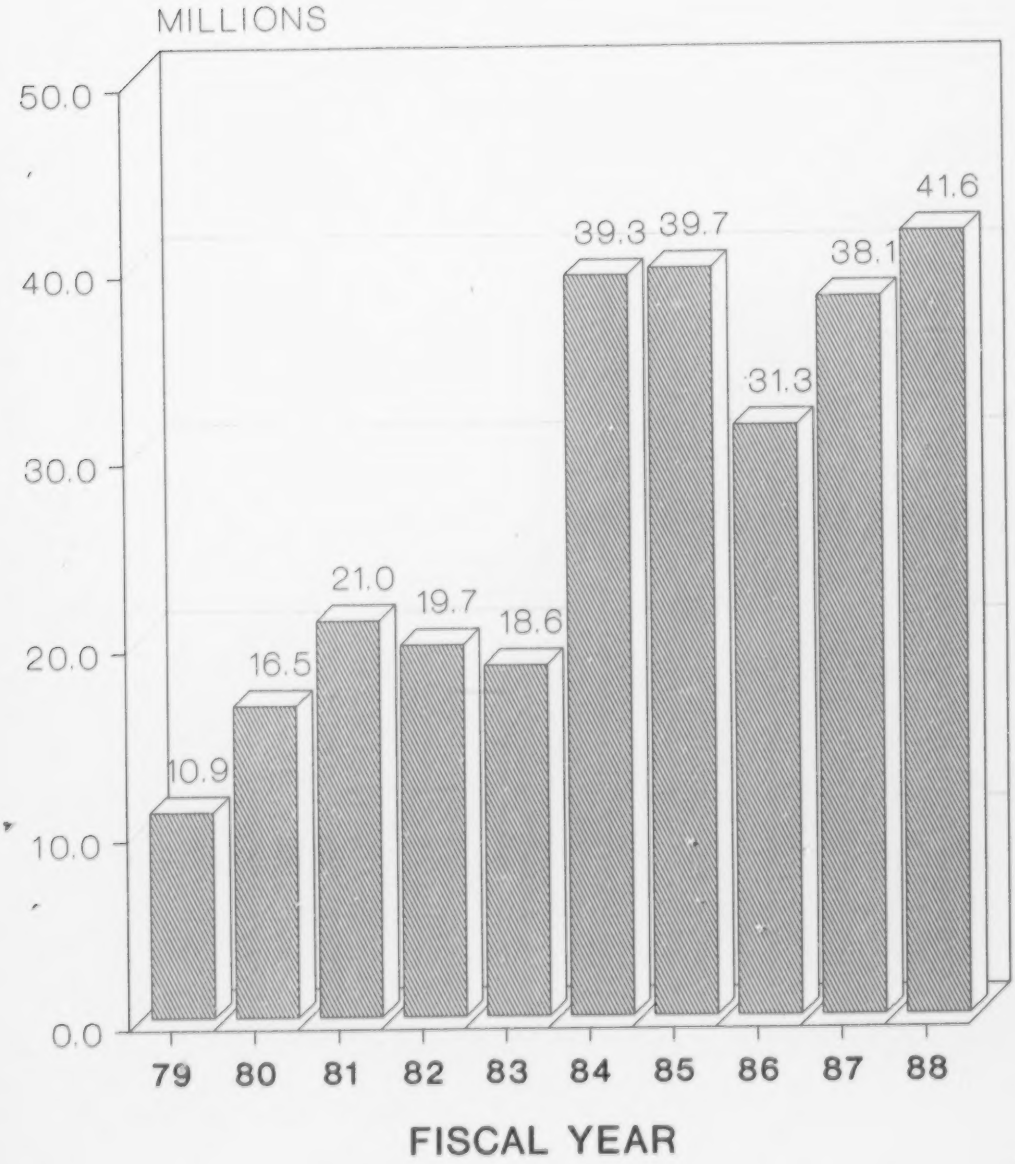




GENERAL FUND REVERSIONS
10 YEAR HISTORY



GENERAL FUND ENDING CASH BALANCE
10 YEAR HISTORY



PRINCIPAL STATE OFFICIALS

Executive Branch

The Honorable George S. Mickelson, Governor

The Honorable Walter D. Miller, Lieutenant Governor

Constitutional Officers

The Honorable Roger Tellinghuisen, Attorney General

The Honorable Joyce Hazeltine, Secretary of State

The Honorable David L. Volk, Treasurer

The Honorable Vernon L. Larson, Auditor

The Honorable Tim Amdahl, Commissioner, School and Public Lands

Public Utilities Commission

The Honorable Dennis Eisnach, Commissioner

The Honorable Kenneth Stofferahn, Commissioner

The Honorable James A. Burg, Commissioner

Legislative Branch

The Honorable Debra R. Anderson
Speaker of the House

The Honorable Mary A. McClure
President Pro Tempore of the Senate

The Honorable G. Homer Harding
Senate Majority Leader

The Honorable Roger D. McKellips
Senate Minority Leader

The Honorable Jerome B. Lammers
House Majority Leader

The Honorable Robert N. Duxbury
House Minority Leader

Judicial Branch

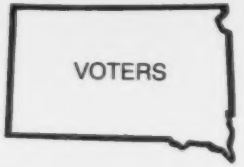
The Honorable George W. Wuest
Chief Justice

The Honorable Robert E. Morgan
Associate Justice

The Honorable Frank E. Henderson
Associate Justice

The Honorable Richard W. Sabers
Associate Justice

The Honorable Robert A. Miller
Associate Justice



LEGISLATURE
- LEGISLATIVE ADUIT
- LEGISLATIVE RESEARCH COUNCIL

PUBLIC UTILITIES COMMISSION

ATTORNEY GENERAL

SECRETARY OF STATE

LIEUTENANT GOVERNOR

GOVERNOR
- OFFICE OF INDIAN AFFAIRS
- OFFICE OF ECONOMIC DEVELOPMENT
- STATE LOTTERY
- OFFICE OF EXECUTIVE MANAGEMENT
  - BUREAU OF ADMINISTRATION
  - BUREAU OF FINANCE AND MANAGEMENT
  - BUREAU OF PERSONNEL
- DEPT. OF VOCATIONAL REHABILITATION
- DEPT. OF TRANSPORTATION
- DEPT. OF GAME, FISH, AND PARKS
- DEPT. OF MILITARY AND VETERANS AFFAIRS
- DEPT. OF SOCIAL SERVICES
- DEPT. OF HEALTH
- DEPT. OF LABOR
- BOARD OF CHARITIES AND CORRECTIONS
- DEPT. OF WATER AND NATURAL RESOURCES
- DEPT. OF AGRICULTURE
- DEPT. OF EDUCATION AND CULTURAL AFFAIRS
- DEPT. OF REVENUE
- DEPT. OF COMMERCE AND REGULATION
- DEPT. OF TOURISM

STATE AUDITOR

STATE TREASURER

SCHOOL AND PUBLIC LANDS

SUPREME COURT

GENERAL GOVERNMENT

Executive Management
Revenue
State Lottery
Unified Judicial System
Legislature
Attorney General
School and Public Lands
Secretary of State
State Treasurer
State Auditor

HUMAN RESOURCES

Social Services
Health
Labor
Vocational Rehabilitation
Charities and Corrections

NATURAL RESOURCES

Agriculture
Game, Fish, and Parks
Water and Natural Resources

PROTECTION OF PUBLIC
AND PRIVATE DOMAIN

Commerce
Military and Veterans' Affairs

TRANSPORTATION

Transportation

EDUCATION AND RESEARCH

Education
Higher Education

ECONOMIC RESOURCES

Economic Development
Enterprise Initiation
Community Development
Minority Business
Tourism

SOUTH DAKOTA FUNCTION OF GOVERNMENT

FY1988

1889 · 1989

South Dakota

Financial Section

Mount Rushmore

This national monument which links the faces of four exalted American presidents: Washington, Jefferson, Teddy Roosevelt and Lincoln is located in the South Dakota Black Hills. This 60 foot high Shrine to Democracy carved into a 6,200 foot mountain was begun in 1927 and took 14 years to complete at a cost of $1 million.

Maurice C. Christiansen, CPA
AUDITOR GENERAL

435 SOUTH CHAPELLE
PIERRE, S.D. 57501-3292
(605) 773-3595

INDEPENDENT AUDITOR'S REPORT

The Honorable George S. Mickelson
Governor of South Dakota

and

Members of the South Dakota Legislature

We have audited the general purpose financial statements for the State of South Dakota as of and for the fiscal year ended June 30, 1988, as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not examine the financial statements of the following entities of the State of South Dakota:

* Housing Development Authority and the Health and Educational Facilities Authority, which represent 95 percent of total assets and 68 percent of total revenues of the enterprise funds;
* Building Authority, which represents 99 percent of total assets and 99 percent of total revenue of the debt service fund, 98 percent of total assets and 100 percent of total revenues of the capital projects fund, 90 percent of total liabilities of the general long-term debt account group, and 54 percent of total liabilities of higher education;
* Department of Labor, which represents 1 percent of total assets and 4 percent of total revenue of the special revenue funds; 3 percent of total assets of the trust and agency funds and 72 percent of total revenues of the expendable trust funds; and,
* South Dakota Retirement System, which represents 80 percent of total assets of the trust and agency funds and 98 percent of total revenue of the pension trust funds.

The financial statements referred to in the preceding paragraph were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

Except as discussed in paragraphs 6, 7, 8 and 9, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

The University of South Dakota did not report an expense and related liability for compensated absences in the higher education column as required by generally accepted accounting principles.

The total budget reported on the Combined Statement of Expenditures - Budget and Actual (Non-GAAP), All Budgeted Fund Types was $52,238,979 less than the budget approved by the Legislature. Due to the procedures used to account for the budget, we were unable to satisfy ourselves as to the accuracy of the budget amounts reported by state agency in the Combined Statement of Expenditures - Budget and Actual (Non-GAAP), All Budgeted Fund Types.

The budget adopted by the South Dakota Legislature is segregated into three budget groups; general fund, federal funds and other funds. Expenditures were not consistently recorded in the appropriate budget group. Due to the nature of the records, we were unable to satisfy ourselves as to the amounts reported in each of the budget groups in the Combined Statement of Expenditures - Budget and Actual (Non-GAAP), All Budgeted Fund Types.

The Department of Transportation accounting records for stockpile inventories did not accurately calculate moving average cost. Adjustments were made to units in stockpile inventories without adjusting the corresponding unit cost. New stockpiles are recorded in the accounting records based on an unsupported density factor. Due to the nature of the accounting records, we were unable to satisfy ourselves as to the amount reported for stockpile inventories by means of other auditing procedures. Stockpile inventories represent 64 percent of total inventories in the special revenue fund type.

Records maintained by several of the individual state agencies were not adequate to document a substantial portion of the original cost, additions and improvements to buildings recorded in the general fixed asset account group. As a result, we were unable to satisfy ourselves as to the amount reported for buildings, which represents 45 percent of the value reported for general fixed assets.

In our opinion, based upon our audit and the reports of other auditors, except for the effects of the matters discussed in paragraphs 5 and 6 which result in an incomplete presentation; and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the accuracy of amounts reported for the items discussed in paragraphs 7, 8, and 9, the general purpose financial statements [except for the Combined Statement of Expenditures - Budget and Actual (Non-GAAP) All Budgeted Fund Types] referred to above present fairly, in all material respects, the financial position of the State of South Dakota at June 30, 1988, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles. Since the State's management did not accurately account for the legislative approved budget and did not record expenditures to proper budget categories, and we were not able to apply other auditing procedures regarding the budget and expenditures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Combined Statement of Expenditures - Budget and Actual (Non-GAAP), All Budgeted Fund Types.

Maurice C. Christiansen

Maurice C. Christiansen, CPA
Auditor General

April 14, 1989

STATE OF SOUTH DAKOTA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1988
(Expressed in Thousands)

Assets	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Cash and Temporary Investments	$ 40,640	$ 120,508	$ 3,279	$ 12,902
Investments			158,830	
Accounts Receivable	247	579	7	
Sales Tax Receivable (Net)				
Other Taxes Receivable	7,501			
Interest, Dividends & Penalties Receivable		317	5,542	1
Loans & Notes Receivable (Net)		14,102		7
Due From Other Funds	70,782	19,730	25	957
Due From Other Governments	575	29,961		
Inventory	1,654	10,956		
Prepaids	563	707		
Deferred Charges				
Other Assets	3,201			
Property, Plant & Equipment (Net)				
Amount to be Provided				
Amount Available in Debt Service				
Total Assets	$ 125,163	$ 196,860	$ 167,683	$ 13,867
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 4,426	$ 20,895	$	$ 1,033
Accrued Liabilities	5,290	6,678		
Due To Other Funds	2,153	11,125		
Due To Other Governments		3,478		
Deferred Revenue	2	676		
Escrow Payable		21		
Bonds & Notes Payable				
Certificates of Participation Payable				
Capital Lease Obligations	24	13		
Other Liabilities		38		
Total Liabilities	11,895	42,924	0	1,033
Fund Equity:				
Contributions				
Investment in Fixed Assets				
Retained Earnings:				
Reserve For Encumbrances				
Reserve For Debt Service				
Reserve - Other				
Unreserved:				
Undesignated				
Fund Balance:				
Reserve For Encumbrances	2,555	9,331		
Reserve For Debt Service			167,683	
Reserve For Public Schools				
Net Assets Available For Retirement Benefits				
Reserve For Loans		12,827		7
Reserve - Other				
Unreserved Fund Balance	110,713	131,778		12,827
Total Fund Equity	113,268	153,936	167,683	12,834
Total Liabilities and Fund Equity	$ 125,163	$ 196,860	$ 167,683	$ 13,867

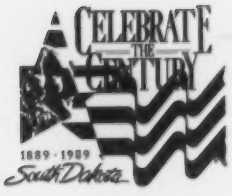
The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups			
Enterprise	Internal Service	Trust And Agency	General Fixed Assets	General Long-Term Debt	Higher Education	Total (Memorandum Only)
$ 460,177	$ 4,694	$ 231,585	$	$	$ 43,460	$ 917,245
65,119		1,183,885				1,407,834
218,189	72	7,490			3,281	229,865
		54,532				54,532
		2,756				10,257
15,317		14,870			853	36,900
776,978		6,927			18,914	816,928
1,948	2,996	6,689			942	104,069
		52			53	30,641
12,600	389				4,500	30,099
392	189				492	2,343
20,936						20,936
52		23				3,276
41,807	7,141	8,444	226,067		254,813	538,272
				46,442		46,442
				167,683		167,683
$ 1,613,515	$ 15,481	$ 1,517,253	$ 226,067	$ 214,125	$ 327,308	$ 4,417,322
$ 3,589	$ 422	$ 21,616	$	$	$ 2,404	$ 54,385
25,176	1,046	6,887		20,881	8,521	74,479
7,903	450	79,924			2,514	104,069
29		38,163				41,670
545	520				1,422	3,165
16,038		416				16,475
1,329,355				11,479	50,928	1,391,762
				181,720		181,720
739	2,566			45	661	4,048
	12	1,801			997	2,848
1,383,374	5,016	148,807	0	214,125	67,447	1,874,621
3,131	3,476					6,607
			226,067		214,816	440,883
7						7
53,214						53,214
377						377
173,412	6,989					180,401
					1,854	13,740
		331				168,014
		111,641				111,641
		1,207,427				1,207,427
					16,280	29,114
		582				582
		48,465			26,911	330,694
230,141	10,465	1,368,446	226,067	0	259,861	2,542,701
$ 1,613,515	$ 15,481	$ 1,517,253	$ 226,067	$ 214,125	$ 327,308	$ 4,417,322

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Revenue:					
Taxes	$ 315,387	$ 99,357	$	$	$ 12,464
Licenses, Permits and Fees	8,775	54,356			65
Fines, Forfeits and Penalties	361	1,425			18
Use of Money and Property	8,794	10,731	17,400	996	4,358
Sales and Services	21,674	5,851			2,119
Administering Programs	1,706	365,342		631	582
Other Revenue	3,395	6,730		165	2,914
Total Revenue	360,092	543,792	17,400	1,792	22,520
Expenditures:					
Education and Research	97,738	45,753			1
Economic Resources	4,076	28,498			
General Government	71,618	10,782	25,779	5,759	424
Human Resources	91,560	187,086	130		19,133
Natural Resources	13,170	28,120			524
Protection of Domain	6,435	17,795			114
Transportation	452	173,974			
Total Expenditures	285,049	492,008	25,909	5,759	20,196
Excess of Revenue Over (Under) Expenditures	75,043	51,784	(8,509)	(3,967)	2,324
Other Financing Sources (Uses):					
Bond Proceeds			1,112		
Operating Transfers In	34,854	82,860	929	729	2,729
Operating Transfers Out	(97,447)	(83,097)	(196)	(1,422)	(1,599)
Total Other Financing Sources (Uses)	(62,593)	(237)	1,845	(693)	1,130
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,450	51,547	(6,664)	(4,660)	3,454
Fund Balance at Beginning of Year - Restated	100,818	102,389	174,347	17,487	45,660
Increase in Reserve				7	
Fund Balance at End of Year	$ 113,268	$ 153,936	$ 167,683	$ 12,834	$ 49,114

The notes to the financial statements are an integral part of this statement.


CELEBRATE
THE
CENTURY
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South Dakota

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--ALL BUDGETED FUND TYPES
For The Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

DEPARTMENT NAME	GENERAL BUDGETED	GENERAL ACTUAL	GENERAL VARIANCE
EXECUTIVE MANAGEMENT			
Personal Services	$ 4,196	$ 3,796	$ 400
Operating Expenses	5,974	5,193	781
TOTAL	10,170	8,989	1,181
REVENUE			
Personal Services	2,059	2,036	23
Operating Expenses	973	968	5
TOTAL	3,032	3,004	28
AGRICULTURE			
Personal Services	2,241	2,234	7
Operating Expenses	1,031	978	53
TOTAL	3,272	3,212	60
STATE DEVELOPMENT			
Personal Services	577	577	
Operating Expenses	1,771	1,769	2
TOTAL	2,348	2,346	2
GAME, FISH, AND PARKS			
Personal Services	1,440	1,439	1
Operating Expenses	1,003	971	32
TOTAL	2,443	2,410	33
SOCIAL SERVICES			
Personal Services	6,426	6,309	117
Operating Expenses	41,244	41,050	194
TOTAL	47,670	47,359	311
HEALTH			
Personal Services	1,968	1,948	20
Operating Expenses	1,410	1,401	9
TOTAL	3,378	3,349	29
LABOR			
Personal Services	186	170	16
Operating Expenses	44	43	1
TOTAL	230	213	17
TRANSPORTATION			
Personal Services		153	(153)
Operating Expenses	505	352	153
TOTAL	505	505	0
EDUCATION AND CULTURAL AFFAIRS			
Personal Service	4,250	4,209	41
Operating Expenses	3,528	3,528	
TOTAL	7,778	7,737	41
COMMERCE AND REGULATION			
Personal Services	2,910	2,714	196
Operating Expenses	1,143	1,083	60
TOTAL	4,053	3,797	256
HIGHER EDUCATION			
Personal Services	75,258	75,150	108
Operating Expenses	11,191	11,019	172
TOTAL	86,449	86,169	280

FEDERAL			OTHER		
BUDGETED	ACTUAL	VARIANCE	BUDGETED	ACTUAL	VARIANCE
$ 439	$ 233	$ 206	$ 5,142	$ 4,720	$ 422
7,216	5,925	1,291	17,490	14,655	2,835
7,655	6,158	1,497	22,632	19,375	3,257
			1,285	1,250	35
			3,595	1,830	1,765
0	0	0	4,880	3,080	1,800
752	633	119	1,162	648	514
505	479	26	8,573	2,578	5,995
1,257	1,112	145	9,735	3,226	6,509
0	0	0	0	0	0
109	106	3	7,402	6,949	453
878	395	483	7,387	5,828	1,559
987	501	486	14,789	12,777	2,012
12,764	12,428	336	120	14	106
127,889	126,200	1,689	2,891	1,973	918
140,653	138,628	2,025	3,011	1,987	1,024
3,217	3,055	162	1,919	1,703	216
10,364	10,160	204	2,600	2,036	564
13,581	13,215	366	4,519	3,739	780
9,081	8,500	581	904	850	54
12,964	9,271	3,693	2,336	2,125	211
22,045	17,771	4,274	3,240	2,975	265
			31,382	29,999	1,383
			156,172	143,725	12,447
0	0	0	187,554	173,724	13,830
1,645	1,348	297	972	730	242
45,191	41,175	4,016	1,885	1,757	128
46,836	42,523	4,313	2,857	2,487	370
368	239	129	8,085	7,118	967
2,806	2,086	720	6,170	5,504	666
3,174	2,325	849	14,255	12,622	1,633
11,384	10,101	1,283	19,587	18,491	1,096
23,110	21,431	1,679	46,344	42,412	3,932
34,494	31,532	2,962	65,931	60,903	5,028

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--ALL BUDGETED FUND TYPES
For The Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	GENERAL		
DEPARTMENT NAME	BUDGETED	ACTUAL	VARIANCE
MILITARY AND VETERANS' AFFAIRS			
Personal Services	1,111	1,060	51
Operating Expenses	1,047	1,045	2
TOTAL	2,158	2,105	53
VOCATIONAL REHABILITATION			
Personal Services	536	529	7
Operating Expenses	675	673	2
TOTAL	1,211	1,202	9
CHARITIES AND CORRECTIONS			
Personal Services	25,246	25,076	170
Operating Expenses	32,697	32,487	210
TOTAL	57,943	57,563	380
WATER AND NATURAL RESOURCES			
Personal Services	3,088	2,997	91
Operating Expenses	1,879	1,831	48
TOTAL	4,967	4,828	139
UNIFIED JUDICIAL SYSTEM			
Personal Services	10,314	10,310	4
Operating Expenses	2,718	2,717	1
TOTAL	13,032	13,027	5
LEGISLATIVE			
Personal Services	2,567	2,442	125
Operating Expenses	1,691	1,435	256
TOTAL	4,258	3,877	381
ATTORNEY GENERAL			
Personal Services	2,683	2,725	(42)
Operating Expenses	771	722	49
TOTAL	3,454	3,447	7
SCHOOL AND PUBLIC LANDS			
Personal Services	223	221	2
Operating Expenses	94	93	1
TOTAL	317	314	3
SECRETARY OF STATE			
Personal Services	333	331	2
Operating Expenses	190	190	
TOTAL	523	521	2
STATE TEASURER			
Personal Services	158	155	3
Operating Expenses	145	145	
TOTAL	303	300	3
STATE AUDITOR			
Personal Services	437	437	
Operating Expenses	84	84	
TOTAL	521	521	0
STATE OF SOUTH DAKOTA			
Personal Services	148,207	147,018	1,189
Operating Expenses	111,808	109,777	2,031
GRAND TOTAL	$260,015	$256,795	$ 3,220

FEDERAL			OTHER		
BUDGETED	ACTUAL	VARIANCE	BUDGETED	ACTUAL	VARIANCE
912	797	115			
1,680	1,454	226			
2,592	2,251	341	0	0	0
2,669	2,606	63	12	12	
4,671	4,410	261	201	200	1
7,340	7,016	324	213	212	1
11,754	11,605	149	586	400	186
3,454	2,913	541	2,226	1,224	1,002
15,208	14,518	690	2,812	1,624	1,188
1,650	1,374	276	2	2	
2,498	1,054	1,444	3	2	1
4,148	2,428	1,720	5	4	1
			9	9	
			140	128	12
0	0	0	149	137	12
			53	39	14
0	0	0	53	39	14
279	246	33	544	492	52
924	95	829	1,211	1,123	88
1,203	341	862	1,755	1,615	140
0	0	0	0	0	0
0	0	0	0	0	0
			413	388	25
			379	262	117
0	0	0	792	650	142
0	0	0	0	0	0
57,023	53,271	3,752	79,526	73,775	5,751
244,150	227,048	17,102	259,656	227,401	32,255
$301,173	$280,319	$ 20,854	$339,182	$301,176	$ 38,006

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
For the Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust
Operating Revenue:				
Licenses, Permits and Fees	$ 2,265	$	$	$
Fines, Forfeits and Penalties				
Use of Money and Property	122,264		995	88,439
Sales and Services	60,488	20,899		
Retirement Trust Revenue				57,721
Administering Programs	40			
Other Revenue	142	10		
Total Operating Revenue	185,199	20,909	995	146,160
Operating Expenses:				
Personal Services and Benefits	10,383	5,516		684
Travel	478	130		31
Contractual Services	36,915	7,534		2,082
Supplies and Materials	20,190	4,397		121
Grants	136			
Capital Outlay	331			
Other	584			46
Interest	103,840			
Bad Debts	20	10		
Depreciation/Amortization	4,559	3,716	69	
Retirement Benefits				32,402
Terminated Employee Retirement Withdrawals				6,294
Total Operating Expenses	177,436	21,303	69	41,660
Operating Income/(Loss)	7,763	(394)	926	104,500
Nonoperating Revenue (Expenses):				
Bond Proceeds	29,850			
Disposal of Fixed Assets	(68)	(59)		
Interest Income	1,891	11		
Interest Expense	(134)	(243)		
Total Nonoperating Revenue (Expenses)	31,539	(291)	0	0
Income Before Operating Transfers	39,302	(685)	926	104,500
Operating Transfers:				
Operating Transfers In	6,243	1,145	16	479
Operating Transfers Out	(21,835)	(40)	(509)	(6,000)
Total Operating Transfers	(15,592)	1,105	(493)	(5,521)
Net Income Before Extraordinary Items	23,710	420	433	98,979
Extraordinary Items:				
Partial Litigation Settlement	(724)			
Loss on Extinguishment of Deferred Financing	(825)			
Total Extraordinary Items	(1,549)	0	0	0
Net Income	22,161	420	433	98,979
Retained Earnings/Fund Balance at Beginning of Year, Restated	204,824	6,569	111,472	1,108,448
Increase in Reserve	25			
Retained Earnings/Fund Balance at End of Year	$ 227,010	$ 6,989	$ 111,905	$ 1,207,427

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
For the Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type
	Enterprise	Internal Service	Nonexpendable Trust
Cash Provided by Operations:			
Net Income (Loss) Before Extraordinary Items	$ 23,710	$ 420	$ 433
Charges to Income Not Affecting Working Capital:			
Depreciation/Amortization	4,559	3,716	69
Loss on Disposal of Assets	68	59	
Capitalized Interest on Capital Accumulator Bonds	5,565		
Bad Debts	20	10	
Acquisition of Donated Assets		(307)	
Reduction of Bad Debt Allowance	(72)		
Total Working Capital Provided by Operations	33,850	3,898	502
Changes in Certain Working Capital Components:			
Assets:(Increase)/Decrease			
Accounts Receivable	(33,562)	70	2,677
Loans & Notes Receivable	(144)		1,163
Inventories	(288)	(10)	
Due from Others	4,297	(336)	(5)
Prepaids	(344)	(121)	
Deferred Charges		1	
Other Assets	14		
Investments	84,713		(69)
Interest, Dividends & Penalties Receivable	(3,184)		(1,693)
Liabilities: Increase/(Decrease)			
Accounts Payable	1,481	24	
Due to Others	6,324	177	377
Accrued Liabilities	1,922	196	
Other Liabilities		13	
Capital Lease Obligations	(17)	(1,165)	
Bonds and Notes Payable	6		
Deferred Revenue	80	322	
Net Cash Provided by Operations	95,148	3,069	2,952
Additional Sources of Cash:			
Increase in Multifamily Escrows and Reserves	2,043		
Sale of Bonds (Net)	107,186		
Mortgage Loan Principal Repayments	58,154		
Note Proceeds	8,125		
Sale of Assets	3	79	
Contribution from State General Fund	71	20	
Total Additional Sources of Cash	175,582	99	0
Cash Used for Acquisitions:			
Purchases of Fixed Assets	4,499	1,458	
Purchase of Mortgage Loans and Loan Advances	123,952		
Increase in Other Assets	1		
Total Cash Used for Acquisitions	128,452	1,458	0
Other Uses of Cash:			
Retirement of Long-Term Debt	14,225		
Repayment of Bonds Payable	97,415		
Partial Settlement of Litigation	724		
Loss on Extinguishment of Deferred Financing	825		
Increase in Amortization Costs	836		
Transfer of Prepaid Expenses and Certain Current Liabilities from the South Dakota Cash Flow Fund Required by Amendment to South Dakota Codified Laws 4-5-30		82	
Total Other Uses of Cash	114,025	82	0
Net Increase/(Decrease) in Cash	28,253	1,628	2,952
Cash and Short-Term Investments at Beginning of Year - Restated.	431,924	3,066	103,031
Cash and Short-Term Investments at End of Year	$ 460,177	$ 4,694	$ 105,983

The notes to the financial statements are an integral part of this statement.

STATE OF SOUTH DAKOTA
HIGHER EDUCATION
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	Current Funds			
	Unrestricted Appropriated	Unrestricted Non-Appropriated	Restricted Appropriated	Restricted Non-Appropriated
Revenues and Other Additions:				
Tuition and Fees	$ 4,393	$ 13,643	$	$
School and Public Lands	2,024			
Federal Appropriations			5,370	
Federal Grants and Contracts		404		23,039
State Grants and Contracts		393		2,738
Private Gifts, Grants and Contracts		161		3,070
Auxiliary Enterprise Revenue		18,710		
Retirement of Indebtedness				
Indirect Cost Recovery		735		
Investment Income	194	5		2
Expended for Plant				
Sales and Services		11,155		
Other Sources	3	76		11
Total Revenue and Other Additions	6,614	45,282	5,370	28,860
Expenditures and Other Deductions:				
Education and General	86,258	23,855	5,265	27,081
Auxiliary Enterprise		16,918		102
Veterinarian's Tuition and Grants	85			
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Indirect Costs Recovered				1,153
Disposal of Plant				
Loan Cancellations and Write-Offs				
Administrative and Collection Costs				50
Other				
Total Expenditures and Other Deductions	86,343	40,773	5,265	28,386
Transfers Among Funds - Additions (Deductions):				
Non-Mandatory:				
Net Interfund Transfers	(1,716)	(395)	(10)	165
Operating Transfers from General Fund	83,502	89		
Operating Transfers from Other State Agencies	85	108		
Mandatory:				
Principal and Interest	(3,227)	(1,322)		
Renewals and Replacements		(1,379)		
Loan Fund Matching		(69)		
Total Transfers In (Out)	78,644	(2,968)	(10)	165
Net Increase (Decrease) for Year	(1,085)	1,541	95	639
Fund Balance at July 1, 1987	(4,350)	13,918	97	544
Adjustments:				
Prior Period Adjustments	5	73		12
Correction of Error		7		
Adjusted July 1, 1987 Fund Balance	(4,345)	13,998	97	556
FUND BALANCE, JUNE 30, 1988	$ (5,430)	$ 15,539	$ 192	$ 1,195

The notes to the financial statements are an integral part of this statement.

	Plant Funds				
Loan Funds	Unexpended Plant Funds	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Total
$	$	$	$	$	$ 18,036
					2,024
851		26			5,370
					24,320
					3,131
				207	3,438
					18,710
				953	953
					735
451	1,184	204	149		2,189
				14,767	14,767
					11,155
2	69	22	70	21	274
1,304	1,253	252	219	15,948	105,102
		1			142,460
					17,020
	3,187	3,117			85
					6,304
			1,051		1,051
			3,709		3,709
					1,153
341				3,035	3,035
					341
226					
10	356		47		323
			2		368
577	3,543	3,118	4,809	3,035	175,849
	1,539	1,911	(46)		1,448
		58	98		83,747
					193
			4,549		
69		1,379			
69	1,539	3,348	4,601		85,388
796	(751)	482	11	12,913	14,641
19,168	5,780	3,025	1,643	201,769	241,594
(1)	3,427	(1)	(30)	241	3,726
				(107)	(100)
19,167	9,207	3,024	1,613	201,903	245,220
$ 19,963	$ 8,456	$ 3,506	$ 1,624	$ 214,816	$ 259,861

STATE OF SOUTH DAKOTA
HIGHER EDUCATION
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Fiscal Year Ended June 30, 1988
(Expressed in Thousands)

	Unrestricted Appropriated	Unrestricted Non-Appropriated	Restricted Appropriated	Restricted Non-Appropriated	Total
Revenues:					
Tuition and Fees	$ 4,393	$ 13,643	$	$	$ 18,036
School and Public Lands	2,024				2,024
Federal Appropriations			5,265		5,265
Federal Grants and Contracts		404		21,980	22,384
State Grants and Contracts		393		2,329	2,722
Private Gifts, Grants and Contracts		161		2,821	2,982
Auxiliary Enterprise		18,710			18,710
Investment Income	194				194
Sales and Services		11,466			11,466
Other Sources	3	410		53	466
Total Revenue	6,614	45,187	5,265	27,183	84,249
Expenditures and Mandatory Transfers:					
Educational and General:					
Instruction	46,456	7,032	49	1,919	55,456
Research	5,416	3,481	2,023	4,632	15,552
Public Service	4,023	1,755	3,193	4,068	13,039
Academic Support	10,635	3,372		452	14,459
Student Services	3,743	4,734		497	8,974
Institutional Support	7,532	2,470		115	10,117
Operation and Maintenance of Plant	8,364	585		49	8,998
Scholarships and Fellowships	174	426		15,349	15,949
Education and General Expenditures	86,343	23,855	5,265	27,081	142,544
Auxiliary Enterprises:					
Expenditures		16,918		102	17,020
Mandatory Transfers:					
For Principal and Interest	3,227	1,322			4,549
For Renewals and Replacements		1,379			1,379
For Loan Fund Matching		69			69
Total Mandatory Transfers	3,227	2,770			5,997
Total Expenditures and Mandatory Transfers	89,570	43,543	5,265	27,183	165,561
Other Transfers and Additions (Deductions):					
Operating Transfers from General Fund	83,502	89			83,591
Operating Transfers from Other State Agencies	85	108			193
Net Transfers In (Out)	(1,716)	(395)	(10)	165	(1,956)
Excess of Restricted Receipts Over Transfers to Revenue			105	474	579
Other		95			95
Total Other Transfers and Additions (Deductions)	81,871	(103)	95	639	82,502
NET INCREASE/(DECREASE) IN FUND BALANCE	$ (1,085)	$ 1,541	$ 95	$ 639	$ 1,190

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

		Page
1.	Summary of Significant Accounting Policies	36
	A. Basis of Presentation	36
	B. Reporting Entity	36
	C. Fund Accounting	36
	D. Totals (Memorandum Only)	38
	E. Basis of Accounting	38
	F. Budgetary Accounting	39
	G. Budgetary - GAAP Reporting Reconciliation	40
	H. Cash and Temporary Investments	41
	I. Investments	41
	J. Inventories	41
	K. Deferred Charges	41
	L. Other Assets	41
	M. Property, Plant and Equipment	42
	N. Reserve for Public Schools	42
	O. Annual and Sick Leave Accrual	42
2.	Restatements	43
3.	Cash, Deposits and Investments	44
4.	Taxes, Notes and Loans Receivable	47
5.	Property, Plant and Equipment	47
6.	Retirement Plan	50
7.	Commitments	56
8.	Self-Insurance	57
9.	Capital Leases	57
10.	Operating Leases	58
11.	Long-Term Debt	58
	A. Building Authority	59
	B. Higher Education	61
	C. Health and Educational Facilities Authority	63
	D. Housing Development Authority	67
	E. South Dakota Railroad Authority	71
	F. South Dakota Economic Development Finance Authority	72
12.	Interfund Receivables/Payables	73
13.	Contingencies and Litigation	76
14.	Segment Information: Enterprise Funds	77
15.	Subsequent Events	78

NOTES TO THE FINANCIAL STATEMENTS
June 30, 1988

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College and University funds reported under the Higher Education discrete presentation have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants.

B. Reporting Entity:

For financial reporting purposes, the State of South Dakota includes all fund types and account groups administered by state departments, bureaus, boards, commissions, universities and authorities, over which the state exercises or has the ability to exercise oversight authority.

GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 identifies the basic criterion for including a governmental organization in a governmental unit's reporting entity for general purpose financial reports as the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to: (1) financial interdependency; (2) selection of governing authority; (3) designation of management; (4) ability to significantly influence operations, and (5) accountability for fiscal matters. Component units included in this report consist of the Building Authority, Housing Development Authority and the Health and Educational Facilities Authority. Oversight responsibility implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

C. Fund Accounting:

Financial activities of the state are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Financial resources are segregated by fund for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Account groups are presented for general fixed assets and general long-term debt.

The state has established the following fund categories, fund types and account groups:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the state. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Account for specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - Account for resources accumulated for the retirement of general long-term debt principal and interest.

Capital Projects Funds - Account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary, fiduciary or higher education funds).

Proprietary Funds:

Enterprise Funds - Account for activities that are financed and operated in a manner similar to private business enterprises where: (a) the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate.

Internal Services Funds - Account for the financing of goods or services provided by one department or agency to other departments or agencies of the state, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds - Account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust, pension trust and agency funds. Nonexpendable trust and pension trust funds are accounted for in the same manner as proprietary funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve the measurement of the results of operations.

Account Groups:

General Fixed Assets Account Group - Accounts for all fixed assets acquired or constructed by governmental and expendable trust funds.

General Long-Term Debt Account Group - Accounts for long-term obligations of governmental funds and expendable trust funds not paid with current resources. Long-term obligations include bonds, accrued annual and sick leave and capital leases.

Higher Education:

The discrete presentation of higher education reflects transactions related to resources received and used for the operation of the state's colleges and universities. The higher education column is an aggregation of the following funds:

Current Funds - Unrestricted: Account for economic resources which are expendable for the purpose of performing the primary objectives of the colleges and universities for which no stipulation has been made by donors or other external agencies as to the purpose for which they should be expended.

Current Funds - Restricted: Account for resources received from donors or other external agencies that are restricted by them for specific operating purposes.

Loan Funds: Account for resources available for loans to students.

Plant Funds: Account for (1) resources to be used in the acquisition of physical properties but unexpended at the date of reporting; (2) resources set aside for renewals and replacements; (3) resources set aside for debt service charges and for retirement of indebtedness; and (4) resources expended for and thus invested in college and university property.

Agency Funds: Account for resources held by a college or university acting in the capacity of an agent for distribution to designated beneficiaries.

D. Totals - Memorandum Only:

The "Totals (Memorandum Only)" columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the state.

E. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Governmental, expendable trust and agency funds are reported on the modified accrual basis of accounting. Revenues of governmental and expendable trust funds are recognized when they become measurable and available as net current assets. Significant revenue sources which are susceptible to accrual include sales tax, motor fuel taxes, bank card taxes, grant revenues, investment income and charges for goods and services. Fines, penalties, licenses and other miscellaneous revenues are recognized when received since they are normally measurable only at that time.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick leave, and other employee amounts are accrued only to the extent that the expenditure would be made from expendable available financial resources with long-term portions reported in the general long-term debt account group; and (2) principal and interest on general long-term obligations are recognized when due.

Proprietary, pension trust, nonexpendable trust and the higher education funds are reported on the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

F. Budgetary Accounting:

Agencies and departments submit budget requests to the Bureau of Finance and Management. The Commissioner approves the bureau's budget recommendation that is presented to the Governor for his consideration. The Governor's decisions are presented to the Legislature in the Governor's Budget Book.

The financial plan for each fiscal year is adopted by the Legislature by the passage of a general appropriations act, special appropriations acts and deferred maintenance appropriations. The formal budget approved by the Legislature does not include budgeting for revenues and other financing sources/uses.

Interim appropriations are requested by the state agencies through the Bureau of Finance and Management. The Joint Committee on Appropriations reviews the request and makes the final determination. During fiscal year 1988, interim appropriations of $13,724,794 were approved.

Monies appropriated on a program basis by the general appropriations act may be transferred between program accounts within or between departments and bureaus at the written request of the state agency and approval by the Commissioner of the Bureau of Finance and Management.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative and judicial branches of the state. By law, appropriations are classified into general, federal and other fund classifications. Encumbrances and certain monies available to departments and component units are not included in the general appropriations act and are not budgeted.

The state's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded, is utilized in order to reserve that portion of the applicable appropriation in the governmental, proprietary, higher education and fiduciary fund types. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances at fiscal year end for the State of South Dakota totalled $13,747,982.

Budget authority and appropriations in an amount equal to outstanding encumbrances may be carried forward for two fiscal years after the expiration of the appropriation acts with the approval of the Commissioner of Finance and Management. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in the Available Funds Report which is available at the Bureau of Finance and Management.

G. Budgetary - GAAP Reporting Reconciliation:

The accompanying Combined Statement of Expenditures - Budget and Actual (Non-GAAP), All Budgeted Fund Types, presents comparisons of the general appropriations act and deferred maintenance appropriations with actual data on the budgetary basis. Because accounting principles applied for the purpose of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the expenditures for the year ended June 30, 1988 is presented below (expressed in thousands):

	General Fund	Federal Fund	Other Fund	Special Revenue
Expenditures, Budget Basis	$256,795	$280,319	$301,176	$
Adjustments:				
To Adjust Encumbrances	(1,530)	(811)	(8,393)	
To Adjust Expenditures for Accruals	(25,045)			8,266
Reclassification and Other Adjustments:				
To Eliminate Colleges and Universities	(83,747)	(31,475)	(60,846)	
To Reclassify Expenditures into Financial Statement Fund Types		(248,033)	(231,937)	455,763
To Record Expenditures for Non-Budgeted Fund Types	138,576			27,979
Expenditures (GAAP Basis)	$285,049	$ 0	$ 0	$492,008

	Expendable Trust	Internal Service	Enter-prise	Pension Trust
Expenditures, Budget Basis				
Adjustments:				
To Adjust Encumbrances To Adjust Expenditures for Accruals	$ 119	$ 2,766	$ (32)	$ 0
Reclassification and Other Adjustments:				
To Eliminate Colleges and Universities				
To Reclassify Expenditures into Financial Statement Fund Types	2,184	18,431	2,437	1,155
To Record Expenditures for Non-Budgeted Fund Types	17,893	408	176,782	40,505
Expenditures (GAAP Basis)	$ 20,196	$ 21,605	$179,187	$ 41,660

H. Cash and Temporary Investments:

For reporting purposes, this account includes cash on hand, cash in local banks, cash in the State Treasury and short-term investments. Cash balances of most state funds are pooled and invested by the State Investment Officer. Interest earned is allocated to participating funds at year end.

I. Investments:

This account represents investments in corporate stocks, bonds, convertible debt, U.S. government bonds, and real estate. Investments are reported at cost, except for pension fund investments which are carried at market value.

J. Inventories:

Inventory amounts are valued at the lower of cost or market using the moving average cost method. Inventories are expensed using the consumption method for governmental funds and proprietary funds.

K. Deferred Charges:

Deferred charges are the amortization of bond and note issuance costs, using the bonds outstanding method, over the life of the bonds.

L. Other Assets:

The $3,201,000 in the general fund represents collateral for bonds to be issued by the South Dakota Finance Authority.

M. Property, Plant and Equipment:

Governmental and expendable trust fund purchases of property, plant and equipment are reported as expenditures in the purchasing fund. Assets purchased through leases or bond sales are capitalized when purchased or constructed. Assets are capitalized in the general fixed assets account group at cost. Donated assets are capitalized at fair market value at the date of donation. Historical cost records for certain general fixed assets are incomplete or not available. Accordingly, estimated historical costs have been used. For financial reporting purposes, depreciation is not recorded on these fixed assets. Public domain (infrastructure) general fixed assets such as highways, curbs, bridges, railroad track, right-of-way, and lighting systems are not capitalized.

Proprietary, pension trust, and nonexpendable trust fund purchases of property, plant and equipment are capitalized in the fund in which they are utilized and depreciated on the straight line basis over the estimated useful life of each asset. These fixed assets are reported in the funds at cost or, if donated, at fair market valued on the acquisition date.

Fixed assets reported in the general fixed asset account group and in proprietary funds are capitalized when the value or cost is in excess of $300 at the date of acquisition, have an expected useful life of one or more years, and are tangible in nature.

Higher education property, plant and equipment are recorded at cost or fair market value at the time donated. Library books and films are capitalized at cost when purchased. Books and films are deleted from the inventory at an average price calculated at the beginning of the fiscal year. Fixed assets are capitalized if they have a useful life of one year or more and a unit cost in excess of $200. Major additions to plant are capitalized when the addition increases the value of the asset by 2 percent or more. Depreciation is not recorded.

N. Reserve for Public Schools:

Represents the principal of the School and Public Lands permanent fund which is to remain inviolate forever. Investment earnings are partially used to fund public education.

O. Annual and Sick Leave Accrual:

Annual leave and sick leave are earned by all full-time and permanent part-time employees. Employees earn fifteen days annual leave per year which can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year which can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours.

The accrued annual and sick leave liability at June 30, 1988 was $15,172,941 and $14,743,130, respectively, based on pay rates at June 30, 1988.

2. RESTATEMENTS

Several restatements were made to account balances due to misstatements during the prior year, reclassifying funds to the proper fund type, and adjusting for funds not reported in the prior year (expressed in thousands).

A. FUND BALANCE/RETAINED EARNINGS

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Fund Balance, June 30, 1987 as previously reported	$100,909	$103,183	$174,329	$ 20,434	$ 49,224
Misstatements of assets and liabilities in prior year	(91)	(794)	18	(2,947)	(3,564)
Fund Balance, July 1, 1987 as Restated	$100,818	$102,389	$174,347	$ 17,487	$ 45,660

	Enterprise	Internal Service	Pension Trust
Retained Earnings, June 30, 1987 as previously reported	$203,523	$ 7,925	$1,087,760
To reclassify the Prison Industries fund as enterprise instead of internal service	1,303	(1,303)	
To record beginning fund balance for Cement Plant Retirement and Board of Regent's Perpetuity Fund not reported in previous year			20,688
Misstatements of assets and liabilities in prior year	(2)	(53)	
Retained Earnings, July 1, 1987 as Restated	$204,824	$ 6,569	$1,108,448

B. CASH AND SHORT-TERM INVESTMENTS

	Enterprise	Internal Service	Nonexpendable/ Pension Trust
Cash & Short-term Investments, June 30, 1987 as previously reported	$ 431,618	$ 3,372	$ 116,052
Reclassification of Prison Industries from internal service to enterprise	306	(306)	
Removal of Retirement Trust Fund from statement of changes in financial position			(13,021)
Cash & Short-term Investments, July 1, 1987 as Restated	$ 431,924	$ 3,066	$ 103,031

3. CASH, DEPOSITS AND INVESTMENTS

Deposits and investments are authorized by South Dakota Codified Laws (SDCL), and administrative rules. Certain funds and component units have statutory authority to make deposits and investments in specific types of securities, which may be more or less restrictive than the general authority. Additionally, restrictions on investments may be required by bonded debt provisions. Except as otherwise indicated, the state was in compliance with legal requirements governing deposit and investing activities.

State public funds are deposited and invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balance of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies. The Cash Flow Fund is the pool utilized by all other funds with balances too small to allow individual investment of assets.

DEPOSITS:

Deposits, including demand deposits, time deposits and certificates of deposit, are generally required to be made in financial institutions located within the State of South Dakota.

Collateral for deposits in each qualified public depository was calculated during fiscal year 1988 to be 110% of the total balance of all public deposits in excess of depository insurance as determined on each quarterly call date, prepared by each qualified public depository pursuant to SDCL 4-6A. Collateral having a value, based on the lower of cost or market, at least equal to the amount calculated above were required to be segregated by each depository from its other assets, or in another manner as approved by the South Dakota Public Deposit Protection Commission and clearly identified as security for the benefit of public depositors. South Dakota Housing

Development Authority (a component unit of the State of South Dakota reporting entity) deposits were not covered by SDCL 4-6A, but were collateralized at 102% of the bank balance in excess of depository insurance.

At June 30, 1988, deposits' balances were classified as deposits fully insured or collateralized with securities held by the state or its agent in the state's name (Category 1), deposits collateralized with securities held by the pledging institution's trust department or agent in the state's name (Category 2), and deposits that are uninsured and uncollateralized (Category 3) (expressed in thousands):

	Category 1	Category 2	Category 3	Bank Balance	Carrying Value
Demand Deposits	$1,900	$3,220		$5,120	$5,120
Savings	370	2,043		2,413	2,413
Certificates of Deposit and Money Market Savings	14,149	21,436	4,462	40,047	40,047
TOTAL	$16,419	$26,699	$4,462	$47,580	$47,580

INVESTMENTS:

Authorized investments generally include obligations, consisting of securities guaranteed either directly or indirectly by the United States of America, or the State of South Dakota; notes or bonds issued and guaranteed by political subdivisions of the state; notes, bonds or debentures of solvent corporations, provided they are rated in the four highest classifications established by at least two rating services.

State (permanent) school and endowment funds (also known as School and Public Lands funds) are authorized to invest, additionally, in loans made by the Veterans' Administration, Farmer's Home Administration, Federal Housing Administration, and Small Business Administration, as well as loans made under the Federal Higher Education Act of 1965, as amended.

South Dakota Housing Development Authority funds can also be invested in obligations issued by Government National Mortgage Association, Federal National Mortgage Association, federal land bank, federal home loan bank, bank for cooperatives, or federal farm credit banks.

Public employee pension funds are authorized to invest, additionally, in corporate equity securities, and other types of investments, consistent with the "prudent man concept," considering the probable safety of capital, as well as the probable income.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: category A are those which are insured or registered, or held by the state or its agent in the state's name; category B are those which

are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name; and category C are those which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name. Pension fund investments are carried at market value, consistent with the method of computing net assets available for benefits for balance sheet purposes as required by Governmental Accounting Standards Board Statement 5.

Investments not categorized include balances invested in mutual funds and assets held by an insurance company.

At June 30, 1988, the state's investments consisted of the following (expressed in thousands):

	Category A	Category B	Category C	Carrying Value	Market Value
Short-Term Investments	$315,562	$56,378		$371,940	$372,287
Repurchase Agreements	145,466			145,466	145,466
US Government-Backed Securities	571,256		20,515	591,771	578,534
US Government-Backed Loans	66,138			66,138	66,149
Corporate Notes and Bonds	183,393			183,393	180,281
Corporate Equity Securities	427,010		7,632	434,642	505,529
Annuity Contract			2,000	2,000	2,000
Investment Contracts		49,651		49,651	49,650
Investment in Limited Partnership			11,635	11,635	11,635
Real Estate Funds	14,070		12,388	26,458	29,761
Equity Mutual Funds			8,008	8,008	9,236
International Funds			12,167	12,167	15,192
	$1,722,895	$106,029	$74,345	1,903,269	1,965,720
Unclassified:					
Mutual Funds				65,210	65,373
Deferred Compensation				486	499
Assets Held by Insurance Company				11,416	11,416
TOTAL				$1,980,381	$2,043,008

Short-term investments consist primarily of commercial paper rated as required by statute.

The pension fund investment portfolio includes futures contracts due September 16, 1988, which will reduce the market exposure for U.S. Government Backed Bonds by $138,326,622, and increase Equity Securities and short-term investments in a like amount.

4. TAXES, NOTES AND LOANS RECEIVABLE

Taxes Receivable: Sales and use taxes receivable at June 30, 1988 is shown net of the allowance for doubtful accounts of $278,238.

Loans and Notes Receivable: Loans and notes receivable at June 30, 1988 consisted of the following (expressed in thousands):

	Special Revenue	Capital Projects	Enterprise	Expendable Trust	Nonexpendable Trust	Higher Education	Total
Economic Development Loans	$ 5,207	$	$	$	$	$	$ 5,207
Housing Loans			774,478				774,478
Hospital & School Loans			2,500			18,914	21,414
Water District Loans	4,825				5		4,830
Agriculture Loans	4,184						4,184
Rail Authority Loans	357						357
Land Sale Notes		7		1	6,921		6,929
	14,573	7	776,978	1	6,926	18,914	817,399
Less: Allowance for doubtful accounts	471						471
Loans and Notes Receivable, net	$14,102	$ 7	$776,978	$ 1	$ 6,926	$ 18,914	$816,928

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 1988 consisted of:

	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Higher Education
Land and Improvements	$ 7,917,696	$ 0	$8,400,000	$ 14,901,621	$ 2,573,785
Less: Accumulated Depreciation	(2,308,664)	0	0	0	0
Buildings	30,710,129	0	0	102,809,432	154,422,855
Less: Accumulated Depreciation	(14,704,660)	0	0	0	0
Equipment	45,822,970	18,717,374	52,522	93,193,453	86,912,732
Less: Accumulated Depreciation	(26,301,268)	(11,575,554)	(8,112)	0	0
Livestock	220,988	0	0	0	0
Construction in Progress	450,224	0	0	15,163,339	10,904,082
Total Property, Plant, and Equipment (Net)	$ 41,807,415	$ 7,141,820	$8,444,410	$226,067,865	$254,813,454

Changes in general fixed assets for the year ended June 30, 1988 were:

	Balance 6/30/87	Additions	Deletions	Balance 6/30/88
Land	$ 14,853,090	$ 441,922	$ 393,391	$ 14,901,621
Buildings	95,617,053	8,650,633	1,458,234	102,809,452
Equipment	90,653,000	2,540,453	0	93,193,453
Construction in Progress	2,330,299	13,654,000	820,960	15,163,339
Total General Fixed Assets	$203,453,442	$25,287,008	$2,672,585	$226,067,865

Construction in progress at June 30, 1988 is as follows:

General Fixed Assets:	
Department of Education and Cultural Affairs	
Cultural Heritage Center	$4,732,708
Educational Television - Lowry	27,522
W. H. Over Museum	600,000
	5,360,230
Board of Charities and Corrections	
South Dakota State Penitentiary - Tuckpointing	100,000
Youth Forestry Camp - Lagoon	243,212
	343,212
Game, Fish and Parks	
Waubay Fish Hatchery	4,568,648
Custer State Park - Game Lodge	10,099
	4,578,747
Department of Water and Natural Resources	
Repair of State Owned Dams	122,284
Bureau of Administration	
State Capitol Projects	275,000
Department of Transportation	
Rapid City Regional Repair Shop	849,948
Rapid City Regional Office	654,344
Rapid City Regional Maintenance Shop	623,318
Presho Building & Site Costs	285,211
Other Construction Under $25,000	275,971
Rapid City Site Costs	259,055
Clark Shop Building & Acquisition Cost	191,441
Webster Building Cost #1024	167,395
Buffalo Maintenance Shop	161,414
Bison Shop Building Costs #4077	142,122
Mobridge Storage Shed	137,146
Armour Building & Site Costs	114,508
Salem Heating System	92,822
Yankton Heating System	69,617
Chamberlain Heating System	69,617
Buffalo Yard Cost	62,084

Bison Site Acquisition Costs #4200	62,046
Webster Site Costs	61,341
Aberdeen Outhouses	49,725
Mitchell Remodel Cold Storage & Engineer Office	44,436
Pierre #3058 AC/Ventilation	41,320
Winner Scale House & Outhouse	35,038
Blunt Scalehouse & Outhouse	33,447
	4,483,366
Board of Regents	
School for the Deaf	
Fire and Life Upgrade	500
TOTAL GENERAL FIXED ASSETS	$15,163,339
Higher Education	
School of Mines and Technology	
New Classroom	836,825
Northern State College	
Joseph Barnett Complex	9,456,270
South Dakota State College	
Horticulture - Forestry Phase II	55,911
Black Hills State College	
Physical Education Facility	337,381
University of South Dakota	
Mass Communications	3,000
Dakota Dome Parking Lot	214,695
TOTAL HIGHER EDUCATION	$10,904,082
Enterprise Funds	
Cement Plant	
Howe Gypsum Property	$126,516
FK Pump Conversions	63,494
Gypsum Drill	54,653
Relamping	32,990
Moorcroft Terminal	32,823
Word Processing-Displaywrite 36	25,594
T3 Circuit Breaker	15,300
Plant Paving	14,156
Coal Unloading Automation	12,192
Salesman Company Car	11,370
Rail Car Loading Spouts	11,147
Scottsbluff	8,133
Finished Mills Air Conditioner	7,783
St. Onge Street Reconstruction	6,136
Scottsbluff Terminal Renovation	5,788
Kiln Preheater Recorder	5,149
Other	4,816
Welding	3,889
Ford Tractor Motor	2,000
Technical Services Equipment	1,903
Trackmobile	1,517
Hydraulic Cutter	1,129
Bag Tensioning Tool	602
Kinder Mine	600
Scottsbluff Auger Drive	544
TOTAL ENTERPRISE FUNDS	$450,224

6. RETIREMENT PLAN

South Dakota Retirement System

Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the state and local governments. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the state's financial report as a pension trust fund. For the fiscal year ended June 30, 1988 the state's covered payroll was $210,563,455 and the total payroll was $224,809,916.

Every political subdivision and every public corporation including muncipalities, counties and chartered governmental units, in the State of South Dakota may become a participating unit in the SDRS by a duly passed resolution of its governing body. Any retirement plan of a political subdivision or public corporation created prior to July 1, 1974, other than those listed above, may be accepted as a participating unit if the members of such a retirement plan vote by a two-thirds majority to become members of the SDRS. Any local government in the state may elect to have its full-time general, police and fire department employees covered by the SDRS.

At June 30, 1988, SDRS Membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits But Not Yet Receiving Them*:	
General	11,681
Public Safety and Judicial	378
TOTAL	12,059
Current Employees:	
Vested:	
General	16,066
Public Safety and Judicial	753
Non-Vested:	
General	11,133
Public Safety and Judicial	459
TOTAL	28,411

*Includes terminated non-vested members who are only entitled to refund of member contributions with interest.

The SDRS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service. General members who retire at or after age 65 with five years of service or at or after age 60 where age and service equal 85 are entitled to an unreduced annual retirement benefit. Public safety members can retire at or after age 55 (age 60 if hired after June 30, 1982) with five years of service and judicial members who retire at or after age 65 with five years of service are entitled to an unreduced annual retirement benefit.

The general annual benefit is the greater of 1.2 percent of their final average salary times years of credited service or 2 percent of their final average salary times years of credited service less other public benefits. Public safety members receive a benefit in the amount of 2 percent of their final average salary times years of credited service. Judicial members receive a benefit of 3-1/3 percent of the final average salary times years of credited service up to 15 years plus 2 percent of final average salary times years of credited service in excess of 15 years.

Final average salary is the member's highest average compensation earned during 12 consecutive calendar quarters of the last 40 quarters of employment.

All full-time and permanent part-time state employees participate in the SDRS. In addition, the following groups of employees are covered:

Teachers
Justices, judges and law trained magistrates
Policemen and certain firemen of participating municipalities
General employees of participating municipalities
General employees and law enforcement officers of participating counties
Classified employees of school districts that are participating with their classified employees
Employees of the Board of Regents
State law enforcement officers
State penitentiary correctional staff personnel

Covered employees are required by statute to contribute a percentage of their salary to the SDRS as follows:

General members - 5 percent
Judicial - 8-3/4 percent, increasing by 1/8 of 1 percent per year until contributions equal 10 percent
Public safety hired after June 30, 1982 - 8 percent
Public safety hired before June 30, 1982 - 8-3/4 percent, increasing by 1/8 of 1 percent per year until contributions equal 10 percent

The state is required by the same statute to contribute an amount equal to the member's contribution. Members may make an additional contribution of 8/10 of 1 percent of salary for optional death benefit coverage.

Benefit provisions are established by state statute and are payable monthly for the life of the member, with 50 percent of the benefit payable to the surviving spouse. Members may retire ten years prior to their normal retirement date with a reduced retirement benefit. Benefits are indexed to the Consumer Price Index, with an annual adjustment limited to the lesser of 100 percent of the Consumer Price Index or 3 percent. Members' contributions are credited interest at 90 percent of the average 91 day United States Treasury Bill rate for the immediately preceding calendar year subject to a maximum of 10 percent and a minimum of 5 percent per annum. If a member leaves covered employment before five years of credited service, accumulated member contributions plus related interest earnings are refunded to the member. At June 30, 1988, the liability attributable to members' contributions and earned interest and included in net assets available for benefits was $231,163,590.

Deferred employer contributions: The SDRS allows the participating entities to repay their deferred contributions over periods of up to twenty years. The entities are charged interest at rates of 3.5 percent to 7 percent. Future payments will be received as follows:

Year Ending June 30:	Employers	Employees
1989	$ 434,874	$ 68,596
1990	414,514	59,026
1991	414,514	46,882
1992	414,514	42,278
1993	414,514	37,351
Later	1,408,873	53,710
TOTAL	3,501,803	307,843
Less Amount Representing Interest	727,169	45,199
Deferred Employer Contributions Receivable at June 30, 1988	$2,774,634	$262,644

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparisons of this data among public employee retirement systems. The measure is independent of the actuarial funding methods used to determine the adequacy of contributions to the SDRS, discussed below. The SDRS does not make separate measurements of assets and pension benefit obligation for individual employers.

The June 30, 1988 pension benefit obligation was determined by the actuarial valuation prepared as of June 30, 1988. Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 7 percent per year compounded annually plus prefunding of improvement factor, b) projected social security cost-of-living increases of 4 percent and wage base increases of 5.5 percent per year compounded annually, c) post retirement benefit increases of 3 percent per year compounded annually and d) active participant experience including projected salary increases.

The pension benefit obligation at June 30, 1988 is shown below:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 397,780,471
Current employees:	
Accumulated employee contributions including allocated investment income	231,163,590
Employer-financed vested	322,774,932
Employer-financed non-vested	59,949,842
Total pension benefit obligation	$1,011,668,835

Net assets available for benefits	$1,192,511,376
Assets in Excess of Pension Benefit Obligation	$ 180,842,541

The June 30, 1988 pension benefit obligation also reflects the following changes in plan provisions enacted by the South Dakota State Legislature effective July 1, 1987. Major changes were:

The basic retirement formula for general members who retired prior to July 1, 1982 changed from 1% to 1.05% effective July 1, 1987, and from 1.05% to 1.1% effective July 1, 1988, times final compensation for each year of credited service.

Employment prior to age 30 and prior to July 1, 1967 not previously credited under the SDRS is now counted as credited service effective July 1, 1987 for then contributing members.

These changes increased the above pension benefit obligation by approximately $13,900,000 and increased the funding period by 3 years.

Contributions: The SDRS funding policy provides for periodic member and employer contributions at a rate established by law.

On a biennial basis, an actuary determines that the combined member/employer contributions are adequate to pay normal cost and expenses and to amortize the unfunded actuarial accrued liability over a period of time using the entry age actuarial funding method. The June 30, 1988 valuation of the plan determined that the contribution rate was sufficient to pay normal costs and expenses and to amortize the unfunded actuarial accrued liability over a 6 year period.

Contributions during fiscal year 1988 totaling $58,179,494 ($28,902,501 employer and $29,276,993 employee) were made in accordance with statutory rates. These contributions represent 11 percent of current year covered payroll for all participating units.

Historical Trend Information: Historical trend information for the last three years, designed to provide information about the Retirement System's progress made in accumulating sufficient assets to pay benefits when due is presented in the Retirement System's separately issued June 30, 1988 independent auditor's report.

Fiscal Year	(In millions) 1986	1987	1988
(1) Net Assets Available for Benefits	$927.6	$1,088.0	$1,192.5
(2) Pension Benefit Obligation	820.2	903.6	1,011.6
(3) Percentage Funded (1)/(2)	113.1%	120.4%	117.9%
(4) Assets in Excess of Pension Benefit Obligation (1)-(2)	107.4	184.4	180.9
(5) Annual Covered Payroll	481.5	500.2	530.0
(6) Assets in Excess of Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)	22.3%	36.9%	34.1%

South Dakota Cement Plant Retirement Plans

The South Dakota Cement Plant retirement plans consist of four plans which are noncontributory, single-employer public employee retirement plans. The plans are included in the financial statements as a pension trust fund. The plans cover all employees of the South Dakota Cement Plant. Actuarial information for these plans was not available at June 30, 1988.

At June 30, 1988, the market value of net assets available for benefits was $13,401,627.

Assets Held by Insurance Company

The Board of Regents of the State of South Dakota joined the SDRS in July 1975. Prior to this time, the Board of Regents had a separate retirement plan through an insurance company under which their members contributed a percentage of salary to the plan with a matching amount contributed by the Board of Regents. The assets held by the insurance company at June 30, 1988 represent the contributions (including interest to date) of active non-retired employees and the matching contributions (including interest to date) made on their behalf by the Board of Regents.

On retirement, members who contributed to this insurance company plan may apply for and receive benefits from the insurance company. In addition, they will receive benefits from the South Dakota Retirement System, with the member's calculated normal benefits from the Retirement System being reduced accordingly by the amount they would have received had the funds held by the insurance company been held for the full period by the Retirement System.

At June 30, 1988, the pension benefit obligation included the liability for credited service of members of the Board of Regents plan prior to their joining the SDRS.

The assets held by the insurance company and the corresponding accrued actuarial obligation for credited service of members have been included in the financial statements to reflect the total assets available for benefits to and liability for credited service of eligible members. The SDRS, however, has no control over the investment or maintenance of these assets nor does it administer or otherwise have control over the payment of benefits and other costs by the insurance company.

Presidents' Retirement Plan

South Dakota university and college presidents who began service prior to November, 1980 were covered under a Presidents Perpetuity Fund Retirement Plan in addition to the South Dakota Retirement System. This plan was funded completely by the Board of Regents. No additional contributions are anticipated.

At June 30, 1988, the market value of the Perpetutity Fund assets were as follows:

Fixed Income Funds	$1,461,853.06
Money Market Funds	52,144.79
NET ASSETS AVAILABLE FOR BENEFITS	$1,513,997.85

An actuary valuation was not prepared at June 30, 1988. However, this fund does not have any additional active members and thus the actuarial valuation does not fluctuate much from year to year. On June 30, 1987, an actuarial valuation was performed which showed liabilities and anticipated surplus as follows:

Market Value of Assets at March 31, 1987	$1,465,350
Present Value of all Prospective Benefits	1,228,540 *
Assets in Excess of Prospective Benefits	$ 236,810
Percentage Funded	119.3%

*Because of the time value of money, even though the market value is greater at June 30, 1988 than March 31, 1987, the projected surplus of the plan will be approximately the same.

Actuarial Assumption: The assumed rate of return on investments was 6%. No increases are made to retirees' benefits after they have been calculated. All participants are 100% vested.

Department of Labor Employment Security Retirement Plan

Employees of the Department of Labor hired prior to July 1, 1980, had the option to become a member of the SDRS or maintain membership in the Employment Security Retirement Plan. The Employment Security Retirement Plan is funded through a private insurance carrier. The status of the assets and liabilities as of July 1, 1987 was as follows:

Assets (at market value)	
Fixed income funds	$11,942,703
Money market fund	611,590
Present value of future employee contributions	2,252,226
Contributions receivable from the State of South Dakota	6,189,672
Total Assets	$20,996,191
Liabilities	
Present value of projected benefits for active participants	13,699,575
Present value of projected benefits for vested terminations	199,698
Present value of future cost of living for retirees	3,036,410
Total Liabilities	$16,935,683
Assets in excess of projected plan	$ 4,060,508

Actuarial Assumptions for determining liabilities were 7 1/2 percent return on asset investments, 5 1/2 percent average annual salary increase, and 3 percent annual cost of living increase for retirees. Participating employees contribute 7 percent of their salary to the plan while no payments were made by the South Dakota Department of Labor for the fiscal year ended June 30, 1988.

During March, 1987, the South Dakota Department of Labor split this retirement plan into two separate plans, a retired life plan under which $9,589,926 of the then existing fund was used to purchase annuities for all retirees, and establish an actuarially determined active member plan with assets exceeding projected plan liabilities of $8,417,183. Upon securing member benefits, excess assets totaling $6,048,177 were transferred to the State of South Dakota to be used by the South Dakota Department of Labor to supplement ongoing grant programs.

Participants of this plan took exception to the transfer of funds and requested the Department of Labor return the funds to the retirement plan. On August 9, 1988, the amount of $6,189,672 representing the above amount plus interest of $141,495 was issued to the Principal Financial Group who is the administrator of the retirement plan. An additional $433,277 is due the plan for estimated accrued interest for the period from July 1, 1987 to June 30, 1988. This $433,277 is not included in the above computation of plan assets and projected liabilities as of July 1, 1987.

7. COMMITMENTS

Construction and Other Commitments: At June 30, 1988 the Department of Transportation had contractual construction commitments of $84,911,295 for various highway projects. Other contractual commitments totalled $5,330,117. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Building Authority has contractual commitments at June 30, 1988 as shown below:

Gymnasium - Auditorium (Yankton)	$ 16,302
Physical Education Center (Rapid City)	2,489
Science Center Addition (Vermillion)	20,056
Library (Brookings)	45,726
Food Service Facility (Redfield)	327
Feed Processing Unit (Brookings)	11
Law School Building (Vermillion)	200,306
Pharmacy Addition (Brookings)	(220)
Horticulture Building (Brookings)	20,605
Home Management Laboratory (Brookings)	2,388
Tree Storage Building (Watertown)	5,221
New Armory - Phase II (Vermillion)	16,654
Fish Hatchery (Waubay)	152
Joseph Barnett Physical Education Complex (Aberdeen)	144,761
Kennedy Hall Classroom (Madison)	14,424
Physical Education Facility (Spearfish)	3,000
Cultural Heritage Center (Pierre)	1,961,022
School for the Deaf Safety Upgrade (Sioux Falls)	199,500
Classroom Building (Rapid City)	2,949,739
W. H. Over Museum (Vermillion)	9,787
Horticulture Forestry (Brookings)	44,011
Physical Education Facility (Spearfish)	4,723,099
Repair of State Owned Dams	407,008
Youth Forestry Camps	135,546
Dakota Dome Parking Lot (Vermillion)	428,908
USD Mass Communications (Vermillion)	247,000
Game Lodge Water System	289,901
TOTAL	$11,887,723

8. SELF-INSURANCE

The State is uninsured for property losses, with the exception of bonded buildings.

The State is self-insured for workmens' compensation through the creation of reserves derived from a percentage of wages paid to state employees.

The State is insured for auto liability through a policy with United States Fidelity and Guaranty.

The State claims sovereign immunity for all other tort liabilities.

9. CAPITAL LEASES

The state has entered into various agreements to lease equipment. FASB Statement No. 13, "Accounting For Leases," requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations for the governmental funds are reported in the general long-term debt account group and the related assets are reported in the general fixed assets account group. Capital leases for the proprietary funds are reported in those funds along with the related assets. Capital leases for higher education are reported as an obligation in the Investment in Plant Funds along with the related assets.

The following schedule is a summary of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1988 (expressed in thousands):

Fiscal Year Ending June 30,	Governmental Funds	Proprietary Funds	Higher Education
1989	$ 91	$1,712	$331
1990	47	1,451	255
1991	9	313	138
1992	5	49	35
1993	3	10	13
Thereafter		17	
Total Minimum Lease Payments	155	3,552	772
Less:			
Amount Representing Interest	73	247	111
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	$ 82	$3,305	$661

10. OPERATING LEASES

The State of South Dakota has entered into numerous agreements to lease land, buildings, and equipment. Most operating leases contain a provision that the state may renew leases on a year-to-year basis. In most cases management expects the leases will be renewed or replaced by other leases of a similar nature.

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 1988 (expressed in thousands):

Fiscal Year Ending June 30,	Amount
1989	$ 2,746
1990	2,240
1991	1,919
1992	1,603
1993	1,286
Thereafter	12,116
TOTAL MINIMUM PAYMENTS	$21,910

The total rental expenses for all operating leases for the fiscal year ending June 30, 1988 was $3,265,000.

11. LONG-TERM DEBT

Long-term debt in the form of bonds, notes, certificates of participation and other obligations are issued by the Building Authority, Housing Development Authority, Health and Educational Facilities Authority and by Higher Education. The following are the changes in bonds, notes, certificates of participation and other obligations payable (expressed in thousands):

	Balance 7/1/87	Additions	Reductions	Balance 6/30/88
Enterprise Funds:				
Revenue Bonds Payable from User Charges:				
Housing Development Authority	$1,030,263	$ 83,097	$ 97,461	$1,015,899
Health and Education Facilities Authority	277,435	30,295	11,995	245,735
Total Revenue Bonds	1,257,698	113,392	109,456	1,261,634
Notes Payable:				
Health and Education Facilities Authority	61,755	8,110	2,165	67,700
Cement Plant		21		21
Total Notes Payable	61,755	8,131	2,165	67,721

Total Bonds and Notes Payable	1,319,453	121,523	111,621	1,329,355
Capital Leases	896	250	407	739
Total Enterprise Funds	1,320,349	121,773	112,028	1,330,094
Internal Service Funds Capital Leases	3,681	46	1,161	2,566
General Long-Term Debt				
Bonds Payable from Taxes and License Fees				
Building Authority Bonds	9,628	1,111	0	10,739
Board of Regents, University of South Dakota/Springfield	780	0	40	740
Total Bonds	10,408	1,111	40	11,479
Building Authority Certificates of Participation	187,820	0	6,100	181,720
Capital Leases	659	29	643	45
Total General Long-Term Debt	198,887	1,140	6,783	193,244
Higher Education				
Revenue Bonds Payable From User Charges				
Building Authority Higher Education Facilities	24,742	11,553	85	36,210
	15,411	0	740	14,671
Total Bonds	40,153	11,553	825	50,881
Notes Payable	48		1	47
Total Higher Education	40,201	11,553	826	50,928
TOTAL	$1,563,118	$ 134,512	$ 120,798	$1,576,832

A. Building Authority:

The Building Authority issues bonds or other obligations to finance the cost to acquire, construct, remodel, maintain and equip buildings and other facilities of state departments and institutions. Bonds are payable from revenues generated through lease agreements between the Building Authority and state departments and institutions. Lease

payments for Building Authority bonds reported in the Higher Education discrete presentation are made from student fees. Lease payments for bonds reported in the general long-term debt account group are paid from the State General Fund and other state dedicated fees of state departments, boards and commissions. The indebtedness, bonds or obligations incurred or created by the Building Authority may not be or become a lien, charge or liability against the State of South Dakota. The bonds and all related financial transactions used to finance buildings of state departments and institutions are reported in the capital projects and debt service funds and the general long-term debt account group. The bonds and all related financial transactions used to finance buildings of Higher Education are reported in the higher education column. This financial presentation does not change the legal liability of the bonds.

During fiscal year 1987, the Building Authority caused to be issued, $187,820,000 aggregate principal amount of certificates of participation, 1986 Series A and 1986 Series B. The proceeds from the certificates of participation were paid to the Authority in exchange for the right, title and interest in certain state buildings. The net proceeds of the Series A certificates were used to purchase an annuity contract which is held by a trustee. Proceeds from the annuity contract held by the trustee are deposited into the General Fund on each June 1 and December 1, until December 1, 2016. The semi-annual payments received under the annuity contract will be approximately equal to the principle and interest payments on the Certificates of Participation. A portion of the proceeds from the Series B certificate was used for construction improvements to certain state buildings and facilities and $2,000,000 of the proceeds was used to create an Annuity Contract Contingency Fund to offset unanticipated fluctuations in the annuity payments. Upon payment of the certificates or at December 31, 2036, whichever occurs earlier, the unencumbered title to the buildings will revert to the state.

Following are Building Authority bonds and certificates of participation outstanding at June 30, 1988 (expressed in thousands):

Issue	General Long-Term Debt Account Group	Higher Education
Series 1984 Revenue Refunding	$ 4,128	$17,742
Series 1985		6,915
Certificates of Participation:		
Series A	169,315	
Series B	12,405	
Series 1987 A	5,500	
Series 1987 B	1,111	11,553
TOTAL	$192,459	$36,210

Following is a schedule of future payments remaining at June 30, 1988 (expressed in thousands):

Year Ending June 30,	General Long-Term Debt Account Group	Higher Education
1989	$ 6,431	$ 379
1990	6,590	310
1991	6,735	205
1992	6,880	2,130
1993	7,012	2,272
Thereafter	158,459	30,914
TOTAL	$192,459	$36,210

Refunded Bonds

The Building Authority has entered into refunding transactions whereby refunding bonds have been issued to facilitate defeasance of the Authority's obligation with respect to certain bond issues. The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the issues being refunded. Refunded bonds and the related assets held in the trust are not included in the accompanying financial statements since the Authority has satisfied its obligation with respect thereto through consummation of the refunding transactions. Any gain or loss on refundings is recognized in the period in which the refunding occurs. A summary of the bond issues defeased is as follows:

Bond Issues Refinanced	Year Defeased	Amount Defeased (At June 30, 1988)
Series of September, 1970	1975	$840,000
Series of July, 1971	1975	780,000
Series of January, 1975	1975	1,500,000
Series of June, 1975:		
Series A	1975	3,660,000
Series B	1975	2,955,000
Series of April, 1976	1978	1,450,000
Series of June, 1976	1978	3,760,000
Series of July, 1977	1978	420,000
Series of January, 1978	1978	205,000

B. Higher Education:

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from income and revenues pledged and assigned and do not constitute a debt, legal or moral, of the State of South Dakota.

Following are revenue bonds outstanding at June 30, 1988 (expressed in thousands):

Issue	
School of Mines and Technology:	
1964 Dormitory Revenue Bonds	$ 31
1973 Series A	157
1973 Series B	133
1973 Series C	542
1973 Series D	600
University of South Dakota:	
1967 Dormitory Revenue Bonds	270
1974 Revenue Refunding	2,567
1980 Series G Student Union Addition	155
South Dakota State University:	
1971 Series	1,515
1972 Revenue Refunding	5,233
Northern State College:	
1984 Series G	920
Dakota State College:	
1984 Revenue Refunding	1,688
Black Hills State College:	
1961 Series B	367
1965 Series C	298
1968 Series D	195
TOTAL	$14,671

Following is a schedule of future bond payments remaining at June 30, 1988 (expressed in thousands):

Year Ending June 30,	Total Debt
1989	$ 763
1990	795
1991	805
1992	788
1993	822
Thereafter	10,698
TOTAL	$14,671

Revenue bonds were issued for projects at the former University of South Dakota/Springfield (USD/S). Since USD/S was converted to a minimum security prison, bond payments have been made from income of the bond sinking fund and from the General Fund. Therefore, these bonds are reported in the general long-term debt account group.

Following are the bonds outstanding of the former USD/S at June 30, 1988 (expressed in thousands):

Crawford Hall-Project 71	$710
Married Student Housing	30
TOTAL	$740

Following is a schedule of future bond payments of the former University of South Dakota/Springfield at June 30, 1988 (expressed in thousands):

Year Ending June 30,	General Long-Term Debt Account Group
1989	$ 45
1990	45
1991	50
1992	40
1993	45
Thereafter	515
TOTAL	$740

C. Health and Educational Facilities Authority:

The Health and Educational Facilities Authority provides capital financing for non-profit health and educational institutions within the state. The Authority issues tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of constructing, equipping and improving facilities or for refinancing outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the State of South Dakota. This debt represents special obligations of the Authority and is payable solely from the payments received from each project and program. Obligations of the Health and Education Facilities Authority are reported as an enterprise fund under the proprietary fund type.

Bonds Payable

Funds received under the various forms of tax-exempt indebtedness issued by the Authority have been loaned to health and educational institutions which are required to make payments to the Authority or trustee sufficient to meet the principal and interest requirements of the related tax-exempt obligations.

Following is a schedule of bonds outstanding at June 30, 1988 (expressed in thousands):

	Maturity Date	Percent Interest Rate	Amount
Equipment Financing Program Series 1982	December 1, 1988	8.00	$ 4,620
Pooled Loan Program Series 1985 A	July 1, 1992	6.10-7.50	40,520
Vocational Education Program Series 1987	August 1, 2012	6.00-8.75	5,595
St. Joseph's Hospital:			
Series 1973 A	July 1, 2002	5.70-5.95	1,600
Series 1973 B	July 1, 1997	4.94	430
Sioux Valley Hospital:			
Series 1976	November 1, 2007	6.00-7.25	22,080
Series 1982	November 1, 1992	(1)	8,305
St. Luke's Midland Regional Medical Center:			
Series 1977	October 1, 2007	6.00-6.80	6,355
Series 1988 A	May 1, 2008	(2)	10,000
Maryhouse Nursing Home:			
Series 1977 A	July 1, 1991	6.50	65
Series 1977 B	July 1, 2001	5.67	515
Pioneer Memorial Hospital:			
Series 1977	January 1, 1996	7.00	180
Series 1984	January 1, 1999	8.75-10.75	170
St. Mary's Hospital:			
Series 1979	July 1, 2009	6.80-7.50	5,680
Series 1988	July 1, 2013	6.00-8.75	2,000
Crippled Children's Hospital and School:			
Series 1979	July 1, 2009	6.20-7.10	4,780
Series 1981 A	July 1, 1988	10.00	50
Series 1981 B	July 1, 1988	10.00	50
Rushmore National Health System, Inc. Rapid City Regional Hospital	September 1, 2014	8.50-10.125	36,050
Black Hills Rehabilitation Hospital	September 1, 2004	8.00-10.125	4,595
McKennan Hospital:			
Series 1985 A	July 1, 2015	6.75-9.625	40,170
Series 1985 B	July 1, 2015	6.25-9.20	11,015
Series 1988 A	July 1, 2000	(3)	12,000
Northeastern Mental Health Center	November 1, 1995	9.00	600
Sacred Heart Hospital	December 1, 1995	7.25-8.25	14,760
Sioux Falls College	November 1, 1991	5.00-5.75	1,110
Westhills Village Retirement Community	August 15, 2012	(4)	10,550
Bethany Lutheran Home	April 1, 1997	5.25-7.10	1,190
Rummel Memorial Home	August 1, 1997	6.40-8.25	700
TOTAL BONDS			$245,735

(1) Interest rate will be periodically adjusted to equal the average discount rate for 91 day U.S. Treasury Bills. At no time will the interest rate exceed 12 percent.

(2) Interest rate is stated at 11.00 percent per annum to November 3, 1988 and thereafter at a rate of the lesser of (i) two percent above the rate publicly announced by the First Bank National Association as its Reference Rate and (ii) 18.00 percent per annum.

(3) Interest rate is stated at 6.75 percent per annum to June 30, 1993 and thereafter at a variable rate adjusted weekly, a tax-exempt commercial paper rate for variable periods between 1 to 180 days, and a fixed rate.

(4) Interest rate is stated at 6.375 percent per annum to August 15, 1993 and thereafter at a rate not less than 9.00 percent per annum.

The bonds of the Authority are collateralized by first mortgages on the physical property financed, mortgage payments received by the Authority from the institutions, a security interest in the gross receipts of the institutions, first liens on the personal property financed, the Authority's assignment of its security interest in the mortgaged properties to the trustees of the bond issues and for certain institutions assigned leases and cash and securities held by the institution in restricted accounts.

During the year, Western Dakota Vocational Technical Foundation amortized the Series 1982 Bonds in the amount of $340,000.

Notes Payable

	Issue Date	Percent Interest Rate	Amount
St. Mary's Hospital	August, 1980	7.50	$ 141
Crippled Children's Hospital and School	July, 1983	8.75	22
St. Michael's Hospital,	September, 1983	9.75	65
St. Benedict Hospital,	September, 1983	9.75	45
United Cerebral Palsy, Sioux Falls	January, 1985	9.50	386
St. Joseph's Hospital	August, 1986	7.50	400
Sioux Valley Hospital	April, 1988	5.00	8,110
School District Note Program Series 1986	December 30, 1988	6.00	55,135
Non-Trustee Notes			
Promissory Note, Health Education Assistance Loan Program 1984 Issue	January 1, 1993	9.50	2,634
Note Payable to Bank, due in semi-annual payments of $44,698, including interest to October 1, 1990, collateralized by a certificate of deposit	October 1, 1990	5.00-9.75	762
TOTAL NOTES PAYABLE			$67,700

Non-trustee note issues represent bank and other financing obtained by the institutions through the Authority but which are not administered by the bank trustee. Each financing listed represents a separate and distinct note issue for which the respective institution is obligated.

Following is a schedule of future bonds and notes payments remaining at June 30, 1988 (expressed in thousands):

Year Ending June 30,	Bonds	Notes	Total
1989	$ 15,125	$63,434	$ 78,559
1990	11,375	492	11,867
1991	12,725	1,140	13,865
1992	14,080	-	14,080
1993	16,410	2,634	19,044
Thereafter	176,020	-	176,020
TOTAL	$245,735	$67,700	$313,435

Extinguishment of Debt:

The Authority has deposited assets in various trusts which are sufficient to pay principal and interest obligations on the bond issues listed below. The bonds are considered to be extinguished for financial reporting purposes and, accordingly, the bonds together with the funds held in trust are not reported in the accompanying financial statements.

Project	Date of Advance Refund	Series Refunded	Amount
McKennan Hospital	July, 1978	Series 1973 A	$12,430,000
		Series 1973 B	945,000
Rapid City Regional Hospital	March, 1984	Series 1976	19,905,000
		Series 1982	18,255,000
McKennan Hospital	February, 1985	Series 1981	36,770,000
	May, 1985	Series 1978	12,655,000
Health Education Assistance Loan Program	October, 1985	Series 1982	4,425,000
Sacred Heart Hospital	December, 1985	Series 1980	14,465,000

Reserves:

The bond indentures provide that certain reserve accounts be established for programs and institutions. The balances as of June 30, 1988 are as follows:

	Required Balance	Actual Balance	Excess
Debt Service Reserve (1)	$29,032,875	$30,395,680	$1,362,805
Project Reserve (2)	375,000	539,399	164,399
TOTAL	$29,407,875	$30,935,079	$1,527,204

(1) The debt service reserve contains funds held by the trustee with a required balance equal to the amount necessary to pay the largest debt service in the event the institution or enterprise fund is unable to meet payments. At June 30, 1988, all institutions were in compliance with the debt service requirements. The Authority maintains cash and investments in restricted accounts equal to the balances reported above.

(2) The project reserve contains funds held by the trustee for repair or reconstruction of the project facility in the event of disaster. On June 30, 1988, all institutions were in compliance with respect to maintaining the required balances. The Authority maintains cash and investments in restricted accounts equal to the balances reported above.

D. Housing Development Authority:

The Housing Development Authority provides mortgage financing for construction, rehabilitation and purchase of residential housing and to assist in coordinating with federal, state, regional and local public and private efforts with statewide housing planning. The Authority is authorized to issue negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the Authority do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the state. These notes and bonds are payable solely from the revenues or assets of the Authority.

Bonds Payable:

Following is a schedule of bonds outstanding at June 30, 1988 (expressed in thousands):

Issue	Serial	Term	Capital Accumulator (1) Original Principal	Capital Accumulator (1) Accreted Interest	Principal Amount 1988
1977 Series A: 1990-2008 5.4%-6.125%	$11,600	$31,810			$43,410
1978 Series A: 1990-2009 5.1%-5.9%	6,060	14,365			20,425
1978 Series B: 1990-2009 5.95%-6.75%	16,995	13,325			30,325

Issue	Serial	Term	Capital Accumulator (1) Original Principal	Capital Accumulator (1) Accreted Interest	Principal Amount 1988
1979 Series A: 1990-2010 6.15%-7.1%	53,545	30,860			84,405
1980 Series A: 1990-2011 9.1%-10.25%	8,500	27,500			36,000
1980 Series B: 1990-2011 6.75%-8.5%	17,000	14,000			31,000
1983 Series A: 1989-2014 7.9%-10.254%	7,330	11,175	4,941	3,215	26,661
1983 Series B: 1990-1995 7.9%-9.125%	4,545	20,000			24,545
1983 Series C: 1989-2014 8.00%-10.421%	12,160	48,425	6,765	4,193	71,543
1983 Series D: 1989-2008 8.00%-10.418%	4,765	2,060	1,458	903	9,186
1983 Series E: 1989-2008 8.00%-10.63%	15,650	26,710	10,229	5,943	58,532
1983 Series F: 1989-2008 8.00%-10.614%	930	1,575	346	201	3,052
1984 Series A: 1989-2016 8.5%-11.75%	7,970	46,460	6,367	3,089	63,886
1984 Series B: 1989-2016 8.0%-11.4%	4,990	27,875	4,199	1,968	39,028
1985 Series A: 1989-2011 5.2%-7.5%	28,050	67,150			95,200
1985 Series B: 2009-2010 8.45%		13,160			13,160

Issue	Serial	Term	Capital Accumulator (1) Original Principal	Capital Accumulator (1) Accreted Interest	Principal Amount 1988
1986 Series A:					
1989-2006					
5.7%-7.80%	43,765	10,250			54,015
1986 Series C:					
1989-2017					
5.75%-8.875%	23,775	51,720			77,780
1987 Series A:					
1990-2019					
5.25%-8.125%	17,170	52,830			70,000
1987 Series B:					
1989-2017					
5.25%-8.125%	8,500	26,500			35,000
1987 Series C:					
Optional Tender					
November 1, 1988					
5.125% (2)					42,525
Less unamortized Discounts					(837)
Total Home-Ownership Mortgage Program					928,836
Multifamily Housing Trust Bonds					
1977 Series A:					
5.0%-6.0%					
1989-2019	1,650	10,120			11,770
1978 Series A:					
5.5%-6.7%					
1989-2020	2,715	17,410			20,125
1979 Series A:					
7.1%-8.375%					
1989-2022	1,650	13,455			15,105
1980 Series A:					
8.0%-9.5%					
1989-2022	2,050	11,510			13,560
1982 Series A:					
11.25%-13.5%					
1989-2022	765	12,530			13,295
Less Unamortized Discount					(7)
Total Multifamily Trust Funds					73,848

Issue	Serial	Term	Capital Accumulator (1) Original Principal	Capital Accumulator (1) Accreted Interest	Principal Amount 1988
FNMA Guaranteed Mortgage Certificate Program					
1985 Series A: 1998, 9.25%		6,215			6,215
Multifamily Housing Revenue Bonds:					
1985 Series A: 2015		7,000			7,000
TOTAL BONDS PAYABLE					$1,015,899

(1) Term and Capital Accumulator bonds are subject to mandatory redemption from mandatory sinking fund installments.

(2) Fixed interest rate will be determined at tender option date.

Homeownership Mortgage Program bonds require annual principal payments on May 1st of each year. Multifamily Housing Trust Bonds require annual principal payments on April 1st of each year. FNMA Guaranteed Mortgage Certificate Program Bonds mature on April 1, 1998 and are subject to mandatory redemption in part annually from April 1, 1989, from mandatory sinking fund installments. Multifamily Housing Revenue Bonds mature on December 1, 2015, and are subject to mandatory redemption in part annually from December 1, 1991, from mandatory sinking fund installments. Multifamily Housing Revenue Bonds have a variable interest rate determined by remarketing agent (5.85% at June 30, 1988) until the option for conversion of the interest rate to a fixed rate is elected.

Interest for bonds in all programs is payable semiannually except for the capital accumulator bonds in the Homeownership Mortgage Program, 1983 Series A, C, D, E and F, 1984 Series A and B, and 1986 Series C. All current interest bonds are subject to optional redemption at various dates at prices ranging from 100 to 103. All capital accumulator bonds are subject to redemption at compounded value. The assets and revenues of the respective funds are pledged as collateral for the payment of principal and interest on respective bonds.

Interest on the capital accumulator bonds is paid at maturity. Each bond had an original principal amount ranging from $137.65 to $982.60 at the date of sale and matures at $5,000. At June 30, 1988, the bonds are stated at the accreted amount of $56,098,389. The total amount payable at maturity for the capital accumulator bonds is $507,648,838.

Interest earned on capital accumulator bonds is capitalized on May 1 and November 1 of each year. The interest earned on these bonds for the period from May 1 to June 30 is included in accrued interest payable ($1,003,037 at June 30, 1988).

Following is a schedule of future notes and bond payments remaining at June 30, 1988 (expressed in thousands):

Year Ending June 30,	
1989	$ 16,205
1990	39,845
1991	41,035
1992	40,375
1993	39,260
Thereafter	839,179
TOTAL	$1,015,899

The Authority requires multifamily projects to escrow funds with the Authority to cover certain future expenditures. The Authority pays interest on the various escrows and reserves based upon actual interest earned on these funds when invested. Interest earned on certain of the escrows is remitted on an annual basis and interest earned on other escrow and reserve accounts is paid quarterly. The escrow payable at June 30, 1988 was $16,035,237.

At June 30, 1988, commitments to purchase home-ownership mortgage loans from lending institutions was $76,977,000.

Refunded Bonds:

In fiscal year 1988, the Authority issued Homeownership Mortgage Bonds Series 1987 B and 1987 C. The 1987 Series B provided funds for the refunding of Homeownership Mortgage Bonds, 1986 Series D. The 1987 Series C provided funds for the refunding of prior Homeownership Mortgage Bonds with maturing principle on May 1, 1988 and May 1, 1989. In connection with these advanced refundings, the Authority has written off deferred financing costs of $824,766, which is reported as an extraordinary item in the accompanying financial statements.

E. South Dakota Railroad Authority:

State law established the South Dakota Railroad Authority in 1980 for the purpose of improving rail service through the state. The Authority is authorized to acquire property and construct, maintain and equip railroad facilities pursuant to the legislative declarations. The Authority is also authorized to issue negotiable notes and revenue bonds in amounts authorized by the state legislature. In 1982, the Authority purchased rail facilities through the sale of bonds and entered into an agreement for the rehabilitation of the facilities with the Burlington Northern Railroad Company for the operation and rehabilitation of the rail facilities. Under the agreement, Burlington Northern Railroad Company would make the lease

payments to a trustee in the amounts due on the bonds and notes. At the end of the lease agreement, title to the rail facilities will be conveyed to the Burlington Northern Railroad Company. As of June 30, 1988, $21,800,000 in revenue bonds and $29,680,000 in notes were outstanding. This indebtedness is not indebtedness of the Authority or the State of South Dakota, but is a liability of the Burlington Northern Railroad Company.

F. South Dakota Economic Development Finance Authority:

Tax-exempt bonds are issued in the name of the South Dakota Economic Development Finance Authority and administered by a trustee bank. The bond proceeds are used to provide capital in the form of economic development loans to private businesses. A separate series of bonds is issued to finance each loan. Bonds of the Authority do not constitute a debt or liability of the State of South Dakota or any political subdivision thereof, and neither the faith and credit nor the taxing power of the state or any political subdivision thereof is pledged for payments relating to these bonds. The Authority has no obligation relating to these bonds except from the revenues and assets specifically pledged as security for these bonds. The Authority has no taxing power.

The Authority has established two bond programs, pooled bonds and other bonds. The total outstanding amount of bonds issued under both programs cannot exceed $100,000,000.

The pooled bond program has a blanket bond reserve as security for each loan series issued. An 8:1 ratio of outstanding debt to money in the bond reserve account is allowed. Currently, a general fund appropriation of $3,000,000 plus interest earned of $201,000 is held by a trustee as security for bonds issued under the pooled loan program. Of the $3,000,000 bond reserve, $500,000 has been specifically reserved as security for one loan, thus only $20,000,000 of bond issues can be secured by the bond reserve.

The other bonds program, which has no security provisions, can issue bonds for the difference between the $100,000,000 limit and the loans issued under the pooled loan program.

Following is a schedule of outstanding bonds as of June 30, 1988:

Pooled Bonds:

Series Number	Maturity Date	Interest Rates	Obligation
Series 1986A	April 1, 2006	6.5-9.0	$1,235,000
Series 1987A	April 1, 2007	6.0-9.0	345,000
Series 1987B	April 1, 2007	6.0-9.0	535,000
Series 1987C	April 1, 2007	7.0-10.13	2,210,000
Series 1987D	April 1, 2007	7.0-10.13	2,235,000
Series 1987E	April 1, 2007	7.5-10.5	1,495,000
Total			8,055,000
Other Bonds:			
Series 1988	August 1, 2008	6.75-10.25	1,945,000
TOTAL			$10,000,000

Following is a schedule of future bond payments remaining at June 30, 1988:

Year Ending June 30,	Total Debt
1989	$ 275,000
1990	260,000
1991	270,000
1992	290,000
1993	315,000
Thereafter	8,590,000
TOTAL	$10,000,000

12. INTERFUND RECEIVABLES/PAYABLES

The following represents interfund receivable and payable balances for all funds at June 30, 1988. Amounts to be paid or received within one year are reported as due to or from other funds whereas non-current portions are reported as advances from or advances to other funds (expressed in thousands).

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
General Fund	$ 70,782	$	$ 2,153	$
Special Revenue Funds:				
Department of Water and Natural Resources Fund			6,365	
Transportation Fund	11,819	677	588	
Social Services - Federal Fund	574		1,320	
Human Services Center - Federal Fund	137		2	
Custer Hospital - Federal Fund	258		10	
Redfield State Hospital - Federal Fund	659		23	
Labor - Federal Fund	30		133	
Vocational Rehabilitation - Federal Fund	4		156	
Health - Federal Fund			103	
Department of Education and Cultural Affairs - Federal Fund			302	
Employer's Investment in South Dakota Fund	251		2	
Economic Development Loan Fund	1,292			
Aeronautics Fund	237		97	
Railroad Fund	428			
Railroad Trust Fund	32			677
Health Special Services Fund	198		80	
Rural Rehabilitation Fund	383		8	
Water Facilities Construction Fund	346		1	

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
License Plate Fund	142			
Maintenance & Repair Fund	104			
Game and Fish Fund	342		106	
Snowmobile Trails Fund	126		3	
Motor Vehicle Fund	448		167	
Energy Conservation Fund	645			
Special Racing Fund			495	
Other	598		487	
Total Special Revenue Funds	19,053	677	10,448	677
Debt Service Funds:				
South Dakota Building Authority Fund	7			
Springfield Correctional Fund	18			
Total Debt Service Funds	25	0	0	0
Capital Projects Funds:				
State Historical Building Fund	10			
Public Building Fund	56			
South Dakota Building Authority Fund	891			
Total Capital Projects Funds	957	0	0	0
Enterprise Funds:				
Cement Plant Fund	1,521		30	
Lottery Operating Fund	253		7,845	
Housing Authority Fund	80			
Other	94		28	
Total Enterprise Funds	1,948	0	7,903	0
Internal Service Funds:				
Budgetary Accounting - Payroll - Treasurer - Auditor Fund	657		198	
Central Data Processing Fund	593		105	
Buildings and Grounds Fund	522		27	
Telecommunications Fund	412		30	
Postal Service Fund	267			
Travel Commission Fund	179		33	
Central Duplicating Fund	142		28	
Personnel - Labor/ Management Fund	116		11	
Other	108		18	
Total Internal Service Funds	2,996	0	450	0

	Interfund Receivables		Interfund Payables	
	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
Agency and Trust Funds:				
Agency Funds:				
Agency Fund	2,027		79,741	
State Employer Health Insurance Fund	187			
School and Public Lands Mineral Leasing Fund			3	
Total Agency Funds	2,214	0	79,744	0
Expendable Trust Funds:				
Unemployment Compensation Fund			48	
Public Entity Liability Pool Fund	2,126			
Vocational Education Facilities Fund	77			
Worker's Compensation Fund	64		18	
Attorney General Anti-trust Litigation Fund	53			
Redfield Resident Investment Fund	16		40	
Other	116		1	
Total Expendable Trust Funds	2,452	0	107	0
Non-Expendable Trust Funds:				
Conservancy Sub-district Fund	14			
School and Public Lands - Permanent Fund	3		56	
Total Non-Expendable Trust Funds	17	0	56	0
Pension Trust Funds:				
South Dakota Retirement Fund	177	1,824	14	
Cement Plant Retirement Fund	5		3	
Total Pension Trust Funds	182	1,824	17	0
Total Trust and Agency Funds	4,865	1,824	79,924	0
Higher Education	942	0	690	1,824
TOTAL INTERFUND RECEIVABLES AND PAYABLES	$ 101,568	$ 2,501	$ 101,568	$ 2,501

13. CONTINGENCIES AND LITIGATION

The State of South Dakota participates in a number of federally-assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state.

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could result in liabilities to the state. Based on prior experience it is unlikely that the outcome of these claims will materially affect the financial position of the state.

The following case involves potentially material litigation:

South Dakota et al. v. Kansas City Southern Industries Inc. et al. This case involved a conspiracy by the railroads to prevent the completion of the Energy Transportation Systems Incorporated (ETSI) Coal Slurry Pipeline by opposing water, environmental and easement permits. The state had a contract with ETSI to provide Missouri River water for the pipeline. Violations of federal and state antitrust laws and/or tortious interference with a contract or business were claimed. On April 12, 1988, judgment was entered in favor of the state on both the antitrust and tortious interference counts. The state has the option of accepting either the antitrust judgment at $200,000,000 which is automatically trebled to $600,000,000 or the tort judgment at $244,200,000. The defendants have appealed this decision to the Eighth Circuit Court of Appeals. The ultimate outcome of the appeal is not determinable at the present time.

Worker's Compensation Claims:

The Worker's Compensation Fund has the following commitments at June 30, 1988:

	Number of Claimants	Weekly Benefits	Payments Remaining
Permanent partial disability - benefits are paid weekly up to a predetermined amount	8	$ 985	$ 35,450
Temporary total & temporary partial disability - benefits are paid weekly for an unspecified period of time	37	5,537	Unknown
Permanent total disability - benefits are paid weekly for the life of the client	21	2,107	Unknown
	66	$ 8,629	

Appeal of Unemployment Benefits Paid:

John Morrell & Co., through its legal counsel, has filed an appeal in Circuit Court, Hughes County, with regard to a Decision made by an Administrative Law Judge on behalf of the South Dakota Department of Labor, Unemployment Insurance Division. That Decision awarded unemployment compensation benefits, totaling approximately $2,800,000 as of June 30, 1988, chargeable against Morrell's experience-rating account, from and after November 4, 1987, to the claimants who are Morrell employees. Legal issues involved are:

1. Whether the claimants, from and after November 4, 1987, are unemployed due to a labor dispute and therefore ineligible to receive unemployment insurance benefits.

2. Whether the claimants were guilty of work-connected misconduct and are therefore disqualified from receiving unemployment insurance benefits.

3. Whether the claimants voluntarily left their employment without good cause and are therefore disqualified from receiving unemployment insurance benefits.

Counsel for John Morrell & Co., through their legal brief filed with the Court on August 12, 1988, argue that claimants are not eligible for unemployment benefits on the basis of legal arguments presented relating to the legal issues outlined above, and that benefits paid should be restored to the company's experience-rating account.

The appeal is in preliminary stages and the ultimate outcome is not determinable at the present time. If John Morrell & Co.'s arguments prove successful, the requirement for collection of benefit payments from claimants would result in significant additional administrative costs and would have a material effect on the financial statements of the South Dakota Department of Labor, Unemployment Insurance Division, at June 30, 1988.

14. SEGMENT INFORMATION: ENTERPRISE FUNDS

The state has four major enterprise funds which provide for low-interest housing loans, cement production and sales, operating the state lottery, and low interest loans to hospitals and schools.

Selected financial information by enterprise fund segment is as follows (expressed in thousands):

	Housing Authority	Cement Plant	Health and Educational Facility Authority	State Lottery	Other	Total Enterprise Funds
Operating Revenues	$ 100,137	$28,303	$ 25,672	$26,053	$5,034	$ 185,199
Depreciation, Depletion and Amortization	1,775	1,604	980	21	179	4,559
Operating Income (Loss)	12,648	7,719	(21,441)	8,589	248	7,763
Operating Transfers:						
In		6,000			243	6,243
Out		14,000		7,816	19	21,835
Net Income (Loss)	11,819	451	8,410	1,107	374	22,161
Plant, Property & Equipment:						
Additions	95	3,897		247	260	4,499
Deletions		267			59	326
Net Increase (Decrease) in Cash & Temporary Investments	(63,161)	12,154	71,836	6,762	642	28,253
Total Assets	1,157,444	68,056	370,238	10,128	7,649	1,613,515
Total Equity	110,942	63,480	48,068	1,016	6,635	230,141

15. SUBSEQUENT EVENTS

In August, 1988, the Building Authority issued $2,947,000 of revenue bonds, Series 1988 A for the purpose of providing a portion of the monies to construct a physical education facility at Black Hills State College, Spearfish, South Dakota.

In February, 1989, the Building Authority issued $10,000,000 of Conservation Reserve Enhancement Program (CRP) Taxable Revenue Bonds, First Series. The proceeds of the bonds will be used as advances to CRP participants, a one-time lump sum of money representing a certain present value percentage of their remaining CRP payments.

In September, 1988, the Housing Development Authority issued $273,000,000 of Homeownership Mortgage Bonds, 1988 Series A. The proceeds of the bonds will be used to purchase mortgage loans and fund required reserve accounts.

In July, 1988, the Health and Educational Facilities Authority issued $32,945,000 of Cash Flow Program Notes, Series 1988. The proceeds of the notes will be used to make loans to South Dakota school districts to finance their cash flow needs for the 1988-1989 fiscal year.

In August, 1988, the Health and Educational Facilities Authority issued $11,120,000 of Vocational Education Program Revenue Bonds, Series 1988. The proceeds of the bonds will be used for the acquisition and improvement of post-secondary vocational education facilities.

In September 1, 1988, the Health and Educational Facilities Authority issued $17,200,000 of St. Luke's Midland Regional Medical Center Revenue Bonds, Series 1988. The proceeds of the bonds will be used to refund the Authority's $10,000,000 revenue bonds, Series 1988 A, refinance certain indebtedness of the corporation which was incurred for the cost of certain facilities acquired or constructed, pay certain costs of acquiring and equipping existing hospital facilities, establish certain reserve funds and pay a portion of issuance costs relating to the Series 1988 A bonds.

In January, 1989, the Health and Educational Facilities Authority issued $54,000,000 of Sioux Valley Hospital Revenue Bonds, Series 1989. The proceeds of the bonds will be used to acquire, construct, remodel renovate and equip certain portions of existing hospital facilities, pay a portion of interest accruing on the Series 1989 bonds during the construction period and pay a portion of related expenses in connection with the issuance of the Series 1989 bonds.

In February, 1989, the Health and Educational Facilities Authority issued $10,135,000 of School District Capital Outlay Lease Bonds, Series 1989 A and 1989 B. The proceeds of the bonds will be used to finance the acquisition, improvement and equipping of certain specified educational facilities of South Dakota school districts.

As of July 1, 1988, the State of South Dakota converted to a self-insured health plan handled by the John Hancock Company. Effective August 1, 1988 the State began utilizing the Public Entity Pool, a self-insurance fund covering auto liability insurance. The insurance was and still is a liability insurance which only covers the other person's vehicle and medical claims.

CELEBRATE
THE
CENTURY
1889 · 1989
South Dakota

1889 · 1989

South Dakota

Statistical Section

Citibank

Citibank South Dakota, located in Sioux Falls, is headquarters for Citicorp's credit card operation. Chartered for business on February 19, 1981, they began business with about 40 employees and presently employ around 2,500 workers.

Citibank is the largest issuer of Visa and Mastercard in the world.

1889 · 1989
South Dakota

LOCATION

Upper Midwestern United States

CAPITOL: Pierre

POPULATION: 713,000

Latitude

Northernmost - 45 Degrees 55' N
Southernmost - 42 Degrees 30' N

Longitude

Easternmost - 96 Degrees 20' W
Westernmost - 104 Degrees 5' W

Land Composition

Cropland	40.9%
Grassland Pastures	49.8%
Forestland	3.4%
Other	5.9%

Area

75,952 Square Miles; 196,715 Square Kilometers
1,092 Square Miles of Inland Water, 1,820 Square Kilometers
South Dakota is the 16th Largest State in the Nation

Altitude

Highest Point - Harney Peak in the Black Hills - 7,242 ft.
Lowest Point - Big Stone Lake in Northeastern South Dakota - 961 ft.
Mean Elevation - 2,201 ft.

Climate

4-Season

Average Annual Precipitation	15.75 Inches
Average January Temperature	13.3 Degrees
Average July Temperature	72.2 Degrees

MISCELLANEOUS CHARACTERISTICS

Square Miles of Land	75,952
Miles of Highways	73,425
Number of State Parks	12
Number of National Parks	5
Number of State Colleges and Universities	6
Number of Private Colleges/Universities	7
Number of Voc-Tech Schools	4

Sources:

1980 Census of Population. Volume 1, Characteristics of the Population, PC80-1-A43, U.S. Bureau of the Census, Table 2.

Selected Highway Statistics and Charts 1988. U.S. Department of Transportation, Federal Highway Administration, "Existing Public Road and Street Mileage - 1988," Table SS85-15 (mm-15) October 1986.

"South Dakota in Maps" Henry T. Quinn Center Spring 1985, USD, Vermillion 1986.

Business Research Bureau, University of South Dakota, unpublished data.

Labor Force:

	Population 16 Years & Older	Number in Labor Force	Percent of Persons in Labor Force
Males	246,000	195,000	55%
Females	269,000	160,000	45%
TOTAL	515,000	355,000	100%

Source: U.S. Bureau of Labor Statistics, 1987

Education:

High School Graduation Rate - 86.7% (5th highest in the U.S.)
National Average - 74.8%

Source: U.S. Department of Education - 1988

AGE GROUPS:

0 - 4	58,000	8.2%
5 - 13	98,000	13.7%
14 - 17	41,000	5.8%
18 - 24	78,000	11.0%
25 - 34	122,000	17.1%
35 - 44	89,000	12.5%
45 - 64	126,000	17.6%
65 & over	101,000	14.1%
18 & over	516,000	72.4%

Source: U.S. Bureau of the Census, 1986

RACIAL DISTRIBUTION:

White	660,600	92.7%
Black	2,400	.3%
American Indian, Eskimo & Aleut	47,900	6.7%
Asian & Pacific Islander	2,100	.3%
	713,000	100.0%

POPULATION DISTRIBUTION:

Urban (25,000+)	175,700	24.8%
Towns (less than 25,000)	148,900	21.0%
Rural	388,400	54.2%
	713,000	100.0%

LARGEST CITIES:

Sioux Falls	97,550
Rapid City	52,480
Aberdeen	25,670
Watertown	16,670
Brookings	14,800
Mitchell	13,620
Pierre	12,600
Huron	12,240
Yankton	11,580
Vermillion	9,270
Madison	6,260
Spearfish	5,990
Sturgis	5,320

Source: U.S. Bureau of the Census, 1986

SOURCES OF INCOME: 1987
PERCENT OF TOTAL

Source	South Dakota	U.S.
Labor Compensation	47.00%	62.00%
Proprietors' Income	20.00%	8.00%
Non-Farm	10.00%	7.00%
Farm	10.00%	1.00%
Transfer Payments	15.00%	14.00%
Dividend, Interest and Rent	17.00%	16.00%

Source: U.S. Department of Commerce

PER CAPITA PERSONAL INCOME

Year	U.S.	% Change	Plains	% Change	S.D.	% Change
1978	8,136		7,998		7,052	
1979	9,033	11.03%	8,924	11.58%	8,062	14.32%
1980	9,919	9.81%	9,533	6.82%	8,218	1.94%
1981	10,949	10.38%	10,663	11.85%	9,255	12.62%
1982	11,480	4.85%	11,108	4.17%	9,489	2.53%
1983	12,098	5.38%	11,510	3.62%	9,673	1.94%
1984	13,114	8.40%	12,570	9.21%	10,613	9.72%
1985	13,895	5.96%	13,269	5.56%	11,017	3.81%
1986	14,606	5.12%	13,998	5.49%	11,803	7.13%
1987	15,481	5.99%	14,792	5.67%	12,550	6.33%

Source: Survey of Current Business, U.S. Department of Commerce

* The plains states include Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota.

POPULATION
(thousands)

Year	U.S.	% Change	Plains	% Change	S.D.	% Change
1978	222,095		17,062		689	
1979	224,567	1.11%	17,137	0.44%	688	-0.15%
1980	226,546	0.88%	17,185	0.28%	691	0.44%
1981	229,637	1.36%	17,294	0.63%	692	0.14%
1982	231,996	1.03%	17,351	0.33%	695	0.43%
1983	234,284	0.99%	17,419	0.39%	699	0.58%
1984	236,477	0.94%	17,509	0.52%	705	0.86%
1985	238,736	0.96%	17,550	0.23%	708	0.43%
1986	241,095	0.99%	17,571	0.12%	708	0.00%
1987	243,400	0.96%	17,634	0.36%	713	0.70%

Source: U.S. Bureau of the Census, Population Division

Note: Data excludes Armed Forces overseas

* The plains states include Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota.

TOTAL PERSONAL INCOME
(millions)

Year	U.S.	% Change	Plains	% Change	S.D.	% Change
1978	1,806,968		136,197		4,861	
1979	2,028,510	12.26%	152,571	12.02%	5,555	14.28%
1980	2,254,076	11.12%	164,085	7.55%	5,680	2.25%
1981	2,514,231	11.54%	184,409	12.39%	6,402	12.71%
1982	2,663,432	5.93%	192,722	4.51%	6,590	2.94%
1983	2,834,385	6.42%	200,485	4.03%	6,760	2.58%
1984	3,101,163	9.41%	220,485	9.98%	7,483	10.70%
1985	3,317,239	6.97%	232,873	5.62%	7,801	4.25%
1986	3,521,393	6.15%	245,931	5.61%	8,351	7.05%
1987	3,768,125	7.01%	260,850	6.07%	8,900	6.57%

Source: Survey of current business, U.S. Department of Commerce

* The plains states include Iowa, Kansas, Minnesota, Nebraska, North Dakota and South Dakota.

UNEMPLOYMENT RATE

Year	Unemployment Rate South Dakota	Unemployment Rate United States
1978	3.00%	6.00%
1979	3.60%	5.90%
1980	4.80%	7.20%
1981	5.10%	7.60%
1982	5.50%	9.70%
1983	5.40%	9.60%
1984	4.40%	7.50%
1985	5.20%	7.20%
1986	4.60%	7.00%
1987	4.20%	6.20%

SOUTH DAKOTA NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY

Industry	1983	1984	1985	1986	1987
Mining	2,600	2,700	2,500	2,600	2,700
Construction	8,200	9,300	9,500	9,600	9,600
Manufacturing	25,700	29,200	27,500	28,200	29,300
Trans. & Public Utility	12,200	12,300	12,700	12,600	12,800
Wholesale and Retail Trade	61,600	65,300	65,900	65,200	67,400
Wholesale Trade	16,200	16,800	16,600	16,400	16,900
Retail Trade	45,400	48,500	49,300	48,900	50,500
Finance/Insurance/Real Estate	12,400	13,100	14,000	14,200	14,300
Services	53,300	57,800	59,300	60,500	62,100
Government	56,900	57,200	57,900	58,800	58,900
Total	232,900	247,000	249,400	251,900	256,900
Percent Change in Total Nonfarm Employment			0.97%	1.00%	1.98%

SOURCE: U.S. Bureau of Labor Statistics
Labor Market Information Center, S.D. Department of Labor

NOTE: Numbers may not add due to rounding

PROPERTY TAX INFORMATION

	1983	1984	1985	1986	1987
Property Taxes	280,918,660	303,275,785	329,080,023	345,071,036	359,853,138
Assessed Value	13,041,534,895	13,250,474,791	13,442,341,064	13,526,617,612	13,131,774,099
Property Taxes Per $100 of Assessed Value	2.15	2.29	2.45	2.55	2.74

SOURCE: Department of Revenue's Annual Report

TAXES PER CAPITA AND PER $1,000 PERSONAL INCOME, UNITED STATES, SOUTH DAKOTA, SURROUNDING STATES

	1970		1975		1980		1983		1987	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
Per Capita (1973 dollars)										
U.S.	521	--	549	--	553	--	546	--	751	--
South Dakota	486	24	449	33	442	37	410	41	456	46
Iowa	532	16	527	21	542	23	525	20	585	26
Minnesota	539	15	624	8	631	8	661	4	728	10
Montana	486	25	506	26	561	16	529	19	476	40
Nebraska	483	26	477	28	540	24	514	23	558	29
North Dakota	459	28	507	25	475	29	494	27	487	39
Wyoming	529	17	577	15	785	3	1,096	2	877	4
Per $1,000 Personal Income										
U.S.	117	--	123	--	116	--	111	--	115	--
South Dakota	133	7	116	29	106	32	96	42	101	42
Iowa	125	16	121	18	111	26	109	21	114	22
Minnesota	125	15	139	6	127	8	132	4	128	7
Montana	127	9	126	14	130	7	126	7	114	21
Nebraska	112	27	110	34	111	27	108	24	108	31
North Dakota	125	13	110	35	102	40	103	31	101	41
Wyoming	134	5	134	9	148	3	202	2	173	2

SOURCE: Department of Commerce, Bureau of Census, Governmental Finances, various years.

SOUTH DAKOTA'S EXPANDED AND NEW INDUSTRIES
(Expressed in Millions)

	Expansions		New		Total	
Year	Number	New Capital Investment	Number	New Capital Investment	Number	New Capital Investment
1979	89	$ 16.3	42	$ 19.1	131	$ 35.4
1980	218	57.1	43	5.5	261	62.6
1981	122	39.5	44	35.5	166	75.0
1982	375	69.3	30	13.4	405	82.7
1983	189	34.9	34	13.9	223	48.8
1984	103	62.8	44	52.7	147	115.5
1985	401	124.5	63	42.3	464	166.7
1986	221	70.2	39	19.5	260	89.8
1987	267	76.1	30	17.5	297	93.6

SOURCE: Survey, Governor's Office of Economic Development

GROSS SALES BY STATE SALES TAX LICENSEES
(Expressed in Millions)

	CY1984		CY1985		CY1986		CY1987	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Agriculture, Forestry, Fishing	$ 30.6	0.29%	$ 34.1	0.32%	$ 34.2	0.32%	$ 41.1	0.35%
Mining	156.1	1.48%	191.6	1.78%	178.6	1.66%	196.6	1.67%
Construction	127.1	1.20%	111.4	1.03%	73.7	0.69%	77.4	0.66%
Manufacturing	556.0	5.26%	598.8	5.56%	763.6	7.10%	915.0	7.78%
Transportation, Communication, and Utilities	685.0	6.48%	763.9	7.10%	753.8	7.01%	771.9	6.56%
Wholesale Trade	2,491.1	23.55%	2,440.3	22.67%	2,678.0	24.90%	3,077.4	26.17%
Retail Trade	5,337.3	50.46%	6,330.6	49.51%	5,192.0	48.28%	5,489.0	46.68%
Financial, Real Estate, and Insurance	30.6	0.29%	33.4	0.31%	43.8	0.41%	47.9	0.41%
Services	833.0	7.88%	900.5	8.36%	955.4	8.88%	1,068.0	9.08%
Not Coded	330.4	3.12%	361.2	3.36%	78.3	0.73%	73.6	0.63%
State Total	$10,577.2	100.00%	$10,765.7	100.00%	$10,753.0	100.00%	$11,759.6	100.00%
% Change from Prior Year		7.00%		1.78%		-0.12%		9.36%

SOURCE: "South Dakota Sales and Use Tax Quarterly Reports" Business Research Bureau, University of South Dakota and the South Dakota Department of Revenue

* Does not include sales of agricultural crops and livestock.

SOUTH DAKOTA RANKING FOR CROP PRODUCTION - 1987

Crop	Volume	National Rank
Corn for Grain	228.3 Mill Bu.	9th
Oats	52.9 Mill Bu.	1st
All Wheat	106.7 Mill Bu.	6th
Winter Wheat	55.1 Mill Bu.	10th
Durum Wheat	3.0 Mill Bu.	5th
Other Spring Wheat	48.6 Mill Bu.	4th
Barley	34.0 Mill Bu.	6th
Rye	5.0 Mill Bu.	2nd
Flax Seed	.7 Mill Bu.	2nd
Sorghum for Grain	14.3 Mill Bu.	7th
Sunflower Seed	387.0 Mill Lbs.	2nd
All Hay	7.1 Mill Tons	5th
Alfalfa Hay	5.2 Mill Tons	5th

Livestock	Number	National Rank
Cattle and Calves	3,500,000 Head	9th
Hogs and Pigs	1,520,000 Head	9th
Sheep and Lambs	610,000 Head	5th

Source: 87-88 S.D. Ag. Statistics Service

FARM STATISTICS
CALENDAR YEARS 1977 THROUGH 1987

Calendar Year	Number of Farms	Value Per Operating Unit	Average Land Value Per Acre	Farm Net Income (thousands)	Average Income Per Farm
1977	41,000	$213,400	$194	$408,957	$ 9,975
1978	40,000	255,400	227	522,173	13,054
1979	39,000	295,400	256	742,226	19,031
1980	38,500	341,300	292	374,671	9,732
1981	38,000	387,000	329	561,928	14,788
1982	37,500	414,100	349	408,070	10,882
1983	37,000	418,500	348	195,899	5,295
1984	37,000	406,000	338	529,092	14,300
1985	36,500	304,800	250	600,084	16,441
1986	36,000	265,800	215	808,153	22,449
1987	35,000	220,600	178		

NOTES: Net farm income is defined as total cash receipts and other income less total production expenses plus the value of inventory change. Cash receipts come from marketing of livestock and products and crops. Other income includes government payments, imputed income and rent received.

Average farm income is net farm income divided by the number of farms.

SOURCES: South Dakota Agriculture: 1985-1986, 1986-1987, South Dakota Agricultural Statistics Service.

Regional Economic Information System, Bureau of Economics (Release Date: April, 1987), Table SA45.

GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS
(MILLIONS)

	1983	1984	1985	1986	Est. 1987
Crops	917.8	1,085.9	1,075.6	938.0	811.5
Livestock	1,649.4	1,802.9	1,903.1	1,525.0	1,815.0
Government Payments	266.8	231.3	232.0	383.0	423.5
Total	2.834.0	3,120.1	3,210.7	2,846.0	3,050.0

SOURCE: Statistical Reporting Service, U.S. Department of Agriculture

ELEMENTARY AND SECONDARY EDUCATION

YEAR	K-12 SCHOOL ENROLLMENT (FISCAL YEAR)	COST PER PUPIL (ADM)
1978	151,966	1,338
1979	146,270	1,506
1980	140,500	1,715
1981	136,137	1,916
1982	133,196	2,124
1983	130,995	2,291
1984	130,527	2,486
1985	130,311	2,666
1986	132,102	2,829
1987	133,930	2,891

SOURCES: EDUCATIONAL INFORMATION (SOUTH DAKOTA EDUCATIONAL STATISTICS DIGEST

SOUTH DAKOTA BANKING

YEAR	BANK DEPOSITS (MILLION)	PER CAPITA BANK DEPOSITS
1978	3,785	5,491
1979	4,184	6,077
1980	4,535	6,565
1981	6,539	9,455
1982	6,703	9,620
1983	7,886	11,266
1984	8,629	12,226
1985	8,121	11,468
1986	8,065	11,391
1987	8,297	11,702

NOTES: Bank deposits are for all commercial banks, insured or otherwise

Per capita bank deposits are calculated by dividing the bank deposits by the estimated state population for each year

SOURCES: STATISTICAL ABSTRACT OF THE U.S. 1976 - 1988
FEDERAL RESERVE BANK OF MINNEAPOLIS
U.S. BUREAU OF THE CENSUS